Austria		Indonesia	Rp3100	Pakistan	Rs35
Bahrain		Iran	Rls250	Philippines	Peso40
Belgium	BFr60	Israel	Shk4.50	Poland	Zl 15,000
Cyprus	C£1.00	Italy	L2200	Portugal	Esc175
Czech	Kcs35	Jordan	JD1.20	Qatar	QR10.00
Denmark	DKr13	Korea	Won 2500	S.Arabia	SR8.00
Egypt	E£3.50	Kuwait	Fils.500	Singapore	S$4.10
Finland	FM10	Lebanon	L£1,000	Spain	Pta175
France	FFr8.00	Lux	LFr60	Sweden	SKr13
Germany	DM3.00	Morocco	MDh16	Switz	SFr2.70
Greece	Dr200	Neth	Fl.3.50	Thailand	Bt60
Hungary		Nigeria	Naira15	Tunisia	Din0.900
Iceland		Norway	NKr13.00	Turkey	L5000
India	Rs28	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,639

Friday December 20 1991

D 8523A

GM CRISIS

Tough surgery for Detroit invalid

Page 14

World News

Bonn clears way for recognition of Croatia

The German government agreed in principle to recognise any former Yugoslav republic which requests recognition before next Monday and complies with European Community conditions on respect for human rights and minorities.

The move opens the way for automatic recognition of both Croatia and Slovenia on January 15, the deadline agreed for a common move by the EC member states. Serb enclaves proclaim independence, Page 2

Drugs patents extended
Radical measures to extend the effective patent life of new pharmaceuticals in Europe by five years were agreed by the European Community. The controversial decision offers drugs companies billions of dollars of additional revenue. Page 16

Europe's green scheme
Plans have been agreed for a European Commission system of voluntary audits by companies of the environmental impact of their operations, which would be made available to the public. Page 4

HDTV deal agreed
European Community telecommunications ministers backed a deal on high-definition, cinema-quality television (HDTV) after France agreed to compromise on future satellite broadcasting standards. Page 16

Poor test showing
More than a quarter of seven-year-old children in England have difficulty with reading and basic mathematics, according to test results disclosed by education secretary Kenneth Clarke. Girls performed markedly better than boys. Page 8

BCCI inquiry sought
The Bank of England was urged by the Treasury select committee of UK MPs to reopen its inquiry into the conduct of money broking firms which placed local authorities' deposits with the Bank of Credit and Commerce International. Meanwhile the liquidators of BCCI have agreed to plead guilty to fraud, racketeering and drug money laundering, to pay a $10m fine and to turn over all of BCCI's US assets – totalling $550m – to the US government. Pages 6 and 9

Mideast talks pledge
Middle East peace talks will open their third stage as scheduled in Moscow at the end of January, US secretary of state James Baker said. Page 4

Kidnappers seek $6m
Kidnappers in Austria threatened to kill Günther Ragger, brother-in-law of German industrialist Karl Friedrich Flick, unless a $6m ransom was paid.

Pakistani disruption
A campaign against Pakistani President Ghulam Ishaq Khan intensified when his annual address to parliament was disrupted by opposition MPs. Police used tear-gas to quell disturbances by opposition supporters. Page 4

Business Summary

Exor could be forced into bid for Perrier

The Italian Agnelli family's attempt to take over Exor, the holding company for Source Perrier, French mineral water group, took a new turn yesterday when Paris bourse authorities held up a go-ahead on its offer in case Exor is obliged to bid for Perrier.

During the day the French stock market authorities issued a series of statements on the Perrier affair. Page 17

WORLD economy faces months *of sluggish growth and rising* unemployment as it stages a weak recovery from this year's slowdown and recession, according to the Organisation for Economic Co-operation and Development: Page 16; Details, Page 3; Editorial comment, Page 14

IRI, Italian state holding company, has regrouped its civil engineering, construction and *industrial plant enterprises* under the umbrella of Iritecna. The move will create a group with a turnover of L8,000bn ($6.7bn). Page 17

ROLLS-ROYCE, UK aero-engine maker, won a $500m order to power a fleet of Boeing 777s for Emirates, airline of the *United Arab* Emirates. Page 7

AMERICAN Express, US financial services company, is to acquire the fifth biggest US travel agency, Lifeco Travel Services, in a deal believed to be worth $100m. Page 20

CHRISTIE'S: The main board directors of the international auction house are taking a 20 *per cent salary cut to help it* through the global recession in the fine art market. Page 17; Burton directors take pay cuts; Page 18

BRIDGESTONE, Japanese tyre company, *said its US* and European operations will post annual after-tax losses of *$500m. Page 20*

CANAL PLUS, French pay-TV channel which recently abandoned plans for a merger with the Havas media group, forecast higher-than-expected profits of FFr1.05bn ($190m) for 1991, compared with FFr910m. Page 18

EC ministers cut more barriers to the internal market when *they agreed or adopted a series* of measures on everything from homeopathic medicines *to electromagnetic compatibility*. Page 2

JAPANESE car makers are bracing themselves for increased political tension over their trade with the US following the announcement that General Motors, largest American manufacturer, is cutting more than 70,000 jobs. Page 7; Painful surgery for Detroit invalid, Page 14; Argentina to open car market, Page 7; Renault seeks to cut jobs, Page 2

USAIR, sixth largest US carrier, agreed in principle to *manage the Trump Shuttle*, the east coast airline operation which Donald Trump acquired two years ago. Page 18

COMINCO, Canadian mining group, may withdraw from lead refining and close one of its mines if it fails to resolve soon the protracted troubles of its new smelter at Trail, British Columbia. Page 28

European growth prospects dampened by Bonn's ½ point rise

German interest rate raised

By Andrew Fisher in Frankfurt

THE GERMAN Bundesbank yesterday threw down the gauntlet to its European partners with an unexpectedly high interest rate rise that will further damp economic growth prospects across the continent.

The German central bank, the dominant force behind European monetary policy, raised the psychologically important discount rate to 8 per cent from 7.5 per cent, the highest level in Germany since the Great Depression of 1931.

In a clear message to German trade unions and employ*ers that it will not tolerate* present inflation around 4 per cent, the Bundesbank also increased the *Lombard rate for* lending to banks by half a point to 9.75 per cent. This equals its post-war high.

The Bundesbank action, which is likely to complicate chances of implementing last week's Maastricht accord on European Monetary Union, *dashed hopes in Britain and* France of imminent cuts in interest rates.

Contravening frequently-expressed desires in the US for lower interest rates to get the world economy moving, the Bundesbank action unleashed a round of interest rate tight*ening across Europe.*

Four countries whose economies are linked closely to Germany's – the Netherlands, Denmark, Belgium, and Austria – all raised their discount rates rates by half a point.

Mr Helmut Schlesinger, Bundesbank president, said: "With these measures, the Bundesbank reaffirms its determination to keep to its tight monetary policy".

On the foreign exchange markets, the action led to an immediate strengthening of the D-Mark. The dollar closed in Frankfurt at DM1.561, a 1 pfenning fall on the previous day; in early reaction, the US currency had slipped below DM1.56.

The Bundesbank's move also led to speculation that it was trying to engineer a realignment within the European Monetary System (EMS) that would lead to the D-Mark being revalued. This would help the bank's *inflationary* battle, but France has previously opposed any such changes.

Mr Hans Tietmeyer, the deputy president of the Bundesbank, said, however, that he did not think the rate rises could lead to parity changes in the EMS. It was necessary, he said, to rein back monetary expansion so the money supply target set for 1992 could be met. This foresees growth in M3, the broad monetary aggregate, of between 3.5 per cent and 5.5 per cent.

German companies have recently borrowed heavily to finance investments and acquisitions, especially in east Germany, with November's rise in corporate borrowing totalling DM35bn against DM22bn a year ago.

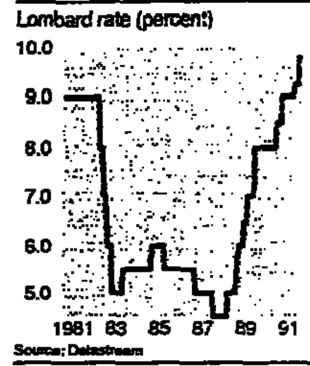
Recent double figure wage claims have added to the Bundesbank's concern over future inflation. Consumer prices have risen at an annual rate of more than 4 per cent. "Four per cent, we have always said, is not tolerable for the Bundesbank *over the medium term*", Mr Schlesinger said.

Mr Jürgen Möllemann, the economics minister, said the Bundesbank's decision was a

Continued on Page 16

- Bundesbank looks after number one
- *German business confidence in decline* PAGE 2
- Editorial comment PAGE 14
- Lex
- OECD forecasts months of sluggish growth
- UK unemployment rises PAGE 16
- Foreign exchanges PAGE 36

German interest rate



Source: Datastream

Keating ousts Hawke to become Australian PM

By Emilia Tagaza in Canberra

MR Paul Keating yesterday became prime minister of Australia, dislodging Mr Bob Hawke after a long and bitter leadership battle.

The 47-year-old former treasurer narrowly won a vote within the ruling Labor parliamentary party. He now faces the difficult task of restoring party unity after the leadership struggle and returning it to popularity in the face of a deep recession and record unemployment.

Mr Hawke, 62, had been prime minister for eight years, a record for Australia. He had led the Labor party to four consecutive election victories. Yesterday he pledged his support for Mr Keating's government.

The outgoing premier *had* called yesterday's vote in a last-ditch attempt to hang on to power, but *lost the highly* charged ballot by 56 votes to 51.

During the six-month tussle for the leadership, Mr Hawke was widely viewed as being preoccupied with *efforts to pre*serve his position rather than with running the government.

Mr Keating, who is acutely aware that his party's poor performance in opinion polls is due both to the government's disarray and its inaction in the face of serious economic problems, yesterday pledged to fight unemployment with all his energy.

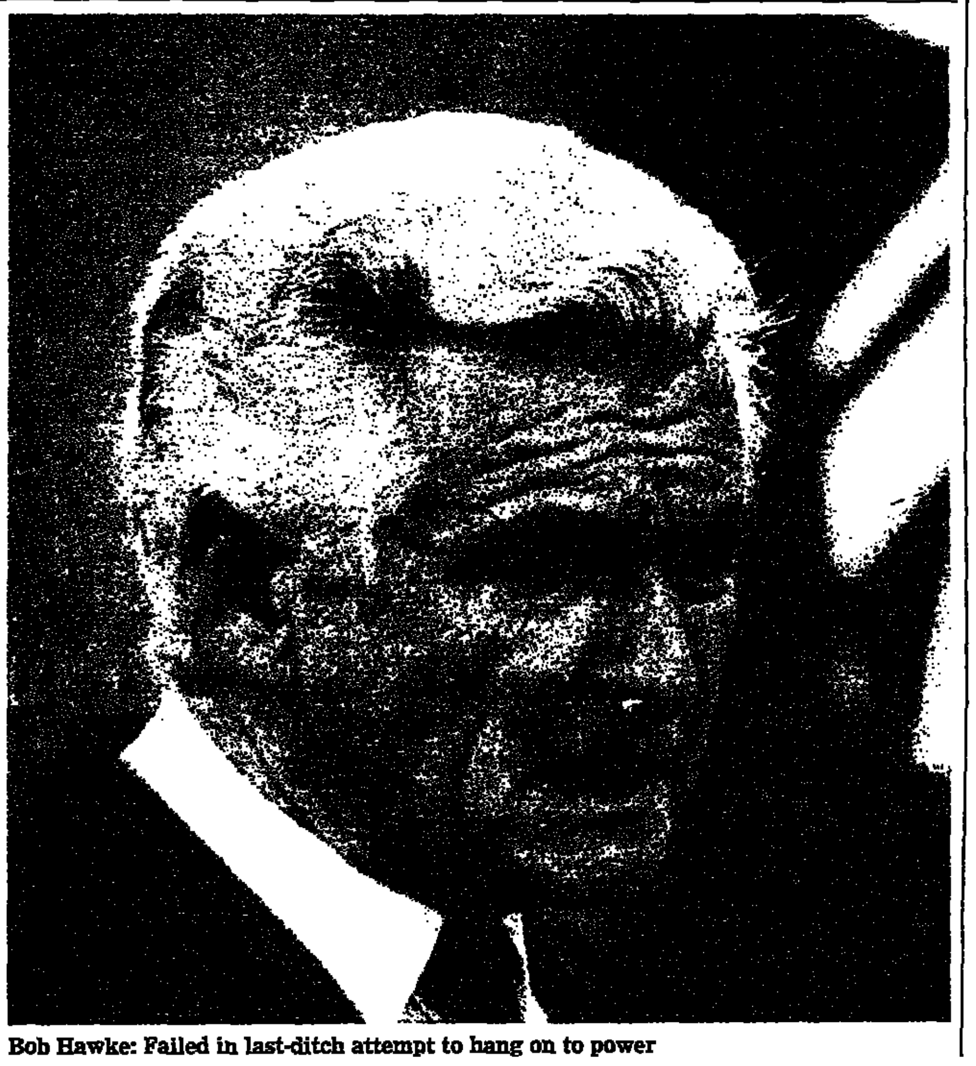
"I promise not to turn a blind eye to the suffering that some are enduring and never to agree that it is acceptable for some Australians to be sacrificed in the so-called national *interest*," he said.

The adjournment yesterday of parliament for two months gives *Mr Keating* time to prepare a programme to restore his party's fortunes. A general election *must be held by May* 1993.

Mr Hawke had fended off Mr *Keating's first challenge in* June, when sentiment, personal loyalties and factional *politics were enough to keep* Mr Hawke in office with 66 of the 110 members supporting *him*.

Last week, he had rejected calls from his ministers and *close supporters to resign vol*untarily and hand over the leadership.

Keating's vicious wit, Page 4



Bob Hawke: Failed in last-ditch attempt to hang on to power

Yeltsin moves to dismantle remains of union

By John Lloyd in Moscow and agencies

MR Boris Yeltsin, the Russian president, took control of the Kremlin, the Soviet foreign and interior ministries and secret police yesterday, ignoring Soviet President Mikhail Gorbachev's pleas for a "legal" transfer of authority.

Interfax and Postfactum, the Russian news agencies, reported the takeovers of the main bastions of Soviet power, despite a last desperate plea yesterday from Mr Gorbachev to the leaders of republics for a *union structure that would* preserve peace, ethnic tolerance and economic ties .

The agencies said a series of decrees signed before Mr Yeltsin flew to Italy stripped the Soviet government of all its organs except the ministries of defence and atomic energy.

ps

Further decrees on the takeover of the Soviet banks – the state bank Gosbank and the foreign economic bank, Vnesheconombank – remain to be signed in a few days, banking officials say.

No details were available on the fate of the foreign and interior ministries, or of the Soviet ambassadors and diplomats abroad. Tass reported that the Russian assumption of the powers of the Soviet foreign ministry would have immedi*ate effect – but no response* from Mr Eduard Shevardnadze, the foreign minister, was avail*able last night*.

Tass also reported that the buildings, currency and property of the Union Supreme Soviet, whose main chambers are in the Kremlin, were taken over by Russia.

The decrees make the assumption of Soviet power by Russia almost complete – with the prime exception of the Defence Ministry, and the armed forces.

Two of the three parts of the security services – the former Committee for State Security, or KGB – were also taken over, leaving only the foreign intelligence service in a post-Soviet limbo.

In a six page letter to reublican leaders, ahead of a bargaining session in Alma Ata, Kazakhstan, on the shape of the future union, Mr Gorbachev warned again of a period "fraught with danger" if a strategic nuclear command is not instantly established and presented a dark vision of poverty

Continued on Page 16

Credits freed, Page 2

Maxwell collapse 'worst thing' ever for UK banks

By Robert Peston in London

THE collapse of the Maxwell empire is "possibly the worst thing that ever happened" to Britain's banks, according to Mr Brian Pearse, chief executive of Midland Bank.

"It lays us open to the criticism that we lost money backing unsuitable entrepreneurs rather than more deserving businesses," he said in an interview with the Financial Times yesterday.

Figures obtained yesterday from the four big UK clearing banks, of which Midland is the smallest, *show they have loans* to the Maxwell public and private companies totalling £650m ($1.2bn), on which they *face* losses of more than £200m.

The losses faced by the UK *banks to the Maxwell public* and private companies is less than some banks in other *countries. Credit Lyonnais of* France is believed to be particularly vulnerable.

Midland is owed £130m by the private companies and the two public companies, Maxwell Communication Corporation and Mirror Group Newspapers. *Of this*, £30m is tied up in a lease on new printing equipment and the remaining £100m is divided "roughly equally" between MCC and MGN and the private companies, according to Mr Pearse's deputy, Mr Brian Goldthorpe.

"Over the past two years, we reduced our loans to Maxwell interests from a peak of £320m," added Mr Goldthorpe, who manages *Midland's loan* book. "We took a conscious decision not to have too many *eggs in one basket*."

Evidence has been accumulating that, in the months *before he died on November 5*, Mr Robert Maxwell made big payments to banks wishing to *reduce their exposure to him*.

TSB Group confirmed yesterday it had cut its loans to the Maxwell *private companies* by more than £60m. Bank of Nova Scotia, the Canadian bank, is understood to have reduced its loans to the private companies by slightly less.

Nonetheless, analysts believe Midland faces losses of at least £50m on *its Maxwell* exposure. National Westminster has total loans of less than £200m to all *Maxwell* companies, *including* a bilateral loan of £155m to the private companies, which is backed by 131.4m MGN shares. Its losses are likely to be similar to Midland's.

Lloyds' losses could be greater. It also has £150m exposure, but lacks security for an estimated £55m *of loans to the* private companies. It also has a direct loan of £32m to MCC, *which is seeking protection* from its creditors under US and UK insolvency legislation.

Maxwell losses may be smallest at Barclays, which also – by coincidence – has £150m *of loans to the* public and private companies. It lent £35m to MCC and has about £50m of loans to the private companies. The rest is an exposure to MGN, much of it leases secured on printing presses.

Kevin Maxwell battles to stay silent, Page 22

Weekend FT

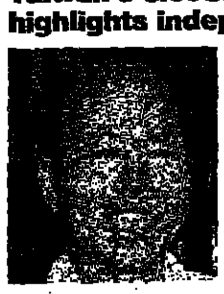
Tomorrow: Chris Patten gives a personal view of the Seven Deadly Sins

●

What 1992 holds for investors in the world's markets

CONTENTS

Taiwan's election campaign highlights independence issue



Taiwan's main opposition, the Democratic *Progressive party* led by Hsu Hsin-Liang, has put independence *for the country* on the political agenda despite laws forbid*ding it to do so*

Page 4

MARKETS

STERLING
New York lunchtime:
$1.8347
London:
$1.8335 (1.825)
DM2.8575 (2.87)
FFr9.7775 (9.8125)
SFr2.535 (2.545)
Y235.25 (234.5)
£ index 91.5 (91.6)

GOLD
New York Comex Feb
$359.1 (360.8)
London:
$357.95 (same)

N SEA OIL (Argus)
Brent 15-day
$18.1 (18.15)

Chief price changes yesterday: Page 17

DOLLAR
New York lunchtime:
DM1.5575
FFr5.3235
SFr1.381
Y128.15
London:
DM1.559 (1.573)
FFr5.3325 (5.3775)
SFr1.383 (1.394)
Y128.3 (128.45)
Tokyo close:Y128.7

US LUNCHTIME RATES
Fed Funds: $4\frac{1}{2}$%
3-mo Treasury Bills:
4.160%
Long Bond:
$104\frac{3}{16}$
yield: 7.755%

STOCK INDICES
FT-SE 100:
2,391.6 (-22.0)
FT-A All-Share:
1,146.78 (-0.9%)
FT-SE Eurotrack 100:
1,043.04 (-12.51)
New York lunchtime:
DJ Ind. Av.
2.901.16 (-6.93)
S&P Comp
382.12 (-1.36)
Tokyo: Nikkei
21,991.19 (-638.71)

LONDON MONEY
3-month interbank:
$11\frac{3}{8}$% ($10\frac{7}{8}$%)
Liffe long gilt future:
Mar $96\frac{5}{16}$ (Mar $96\frac{21}{32}$)

Nato plans joint aid to former Soviet Union

By Robert Mauthner in Brussels

THE SIXTEEN members of the North Atlantic Treaty Organisation yesterday agreed to co-ordinate their *humanitarian* aid to the former Soviet Union and to offer their assistance to ensure the control and dismantlement of its nuclear weapons.

The unprecedented offer by Nato to extend its activities from the military to the humanitarian field was made following a warning by Mr James Baker, *the US Secretary* of State, about the danger of social unrest in the Soviet *republics*.

Reporting on the visit he has just paid to Russia, Belorussia, the *Ukraine* and Kazakhstan, which have all declared their independence, Mr Baker said that their leaders had all expressed deep concern about the possibility of a social explosion over food and other shortages.

Only massive aid from the west could stave off such a social explosion, Mr Boris Yeltsin, the Russian president, and the other three leaders, had told him.

Supported by the majority of Nato countries, Mr Baker said that the US would go ahead with its proposal to hold an aid co-ordination conference in Washington at the beginning of January. This was not intended to be a pledging conference, nor *would it replace* the aid offered by individual western nations.

However, Mr Hans-Dietrich Genscher, the German foreign minister, told the Nato council that he would like the conference to discuss volumes of aid as well as ways of distributing it.

In particular, the US and its *partners are looking for* substantial contributions from other countries in the world such as *Japan* and the *Gulf* states.

The Nato members agreed that the problems faced by the new Soviet republics, which are planning to form a commonwealth at their meeting in Alma Ata, Kazakhstan, this weekend, posed a serious problem for the democratic reform process and stability in Europe in general.

The western alliance would now draw up plans to make available its logistic and infrastructure facilities for the urgent transportation and distribution of humanitarian assistance to the former Soviet republics.

Nato also called on the leaders of the Soviet Union and the republics to ensure "the safe, responsible and reliable control of nuclear weapons, and *actively to* prevent the proliferation of those weapons and other means of mass destruction."

Mr Baker said he had received "very satisfactory assurances" from all the four republics he had visited that they were prepared to place their nuclear weapons under one single authority.

All the leaders of the republics had said they would adhere to the Nuclear Non-Proliferation Treaty. The *Ukraine*, Belorussia and Kazakhstan had said they would join the NPT as "non-nuclear states", contrary to some reports that Kazakhstan wanted to retain nuclear weapons in its territory under its own national control.

Russia intended to remain a signatory of the NPT, while retaining its nuclear weapons, in the same way as the Soviet Union had done.

While welcoming the intention expressed by three of the republics of becoming non nuclear powers, Mr Baker said he was "not unambiguously" in favour of Russia giving up its nuclear weapons entirely.

"I would like to see zero weapons *targeted on the US*. I am not prepared to subscribe to the philosophy of denuclearisation," *the* US secretary of state said, clearly indicating that Washington did not intend to give up *its* own nuclear weapons.

Explaining his decision, Mr Baker said *that* nuclear weapons had kept the peace for the whole of the post-second world war period.

However, *Mr Baker made* clear that the changes taking place in the former Soviet *Union might open up possibilities* for further reductions and elimination of nuclear weapons. *"That would obviously be* a two-way street."

A majority of the Nato countries also indicated that they *were prepared to recognise* the independence of the four republics as soon as a decision *to create their proposed commonwealth* had been taken and they had committed themselves *to respect* a number of *other "conditions"* for recognition.

These included, as far as the US was concerned, effective measures to ensure nuclear safety, the creation of a democratic system of government, respect for human rights, and the introduction of a free market economic system.

Heads together at Nato. Mr Baker (left) makes a point to Mr Genscher and Mr Wörner at yesterday's meeting

Renault seeks to cut 3,700 jobs

RENAULT, which only recently emerged from a damaging strike, yesterday said it wanted to cut 3,746 jobs from its 120,000-*strong* workforce next year, writes Alice Rawsthorn in Paris.

The news of the French state-owned car group's proposed cuts comes only a day after General Motors, the US car giant, unveiled a four-year *rationalisation* plan which cuts its workforce by 70,000. Renault's announcement comes amid *rising unemployment* – a sensitive issue for France's socialist government.

Renault hopes 1,800 of the jobs will go through early retirement. The company has been keen to improve relations with its union since the end of a three-week strike which cost it between FFr1.5bn ($273m) and FFr2bn. This week Renault announced a pay rise of 2 per cent for 1992 and said it was prepared to begin negotiations over working conditions.

Belgians try again to form coalition

King Baudouin of Belgium yesterday turned to a French-speaking Christian Democrat to form a government, after the Flemish Liberal Mr Guy Verhofstadt failed to negotiate a coalition with the Socialists, writes David Buchan in Brussels.

Mr Melchior Wathelet, leader of the PSC Christian Democrats, now takes on the tricky task of trying to form a coalition majority in the 212-seat parliament, which, following the November 24 election, has 13 political parties.

Mr Wathelet has the advantage of being virtually the only leading French-speaking politician who is also fluent in Dutch.

He is likely to try to do a deal with the Socialists, who if their French and Flemish wings are counted together form the biggest bloc in the parliament.

The *main feature of* the November 24 poll was the rise of environmental and extreme *right-wing parties at the* expense of mainstream parties. But the greens fumbled their *chance of power this week*, when they rebuffed the offer by the *Flemish Liberal*, to join a *Liberal-Socialist alliance that* he was trying to negotiate.

EBRD invests in eastern Europe

The European Bank for Reconstruction and Development has committed nearly Ecu400m ($516m) to investment projects valued at Ecu1.4bn in recession-hit eastern Europe, Mr Jacques Attali, President of the EBRD said yesterday, writes Anthony Robinson.

Direct private investment has only amounted to about $3bn this year, largely because of the slow progress of large scale privatisation plans. Mr Attali said *freer trade* was the main issue. "It is impossible to privatise companies which *don't have a market* in the developed countries and there will be no growth in investment *until the trade problem* is solved."

In an attempt to help re-activate *trade between eastern* Europe and the former Soviet republics the EBRD is working with the International Monetary Fund and the Bank for International Settlements on setting up a payments union, Mr Attali said.

The bank is setting up *branch offices in all* east European capitals except Belgrade next year and hopes to persuade *the US* and Japan to drop their opposition to a change in the bank rules which would allow it to lend more to projects in the former Soviet Union.

Italy agrees unblocking of credit to Russia

By Robert Graham in Rome

ITALY YESTERDAY agreed to unblock $1.178bn worth of credits in a goodwill gesture as Mr Boris Yeltsin, the Russian leader, began a 30-hour visit to Rome.

The funds are part of a five-year credit deal agreed in August totalling nearly L5,000bn ($4.19bn). Disbursement of the first tranche has been blocked by the uncertainties caused by the rapid break-up of the Soviet Union.

Mr Yeltsin was yesterday accorded virtually all the honours due a visiting head of state. Arrangements for the visit were made at the last minute and complicated by Mr Yeltsin's refusal to deal through the Soviet embassy.

Italy decided to waive its objections and accept Mr Yeltsin's word that Russia would assume responsibility for the foreign debt following the bankruptcy of Vnesheconombank, the Soviet foreign trade bank.

The credits cover a list of goods requested by the Soviet authorities in August. Backed by Sace, the Italian state export guarantee institute, they will permit the purchase of essential foodstuffs, clothing and footwear. Purchases of meat, pasta, rice, butter, powdered milk *and soyabean oil* will amount to $608m; while footwear and clothing will be *supplied to the value of $570m.* The $530m for footwear will be welcomed by the Italian shoe industry which has been lobbying hard for the deal.

Italy's exposure to the fast-disappearing *Soviet Union* amounts to L5,100bn, covered by Sace, with at least another L1,000bn uncovered. Mr Yeltsin's Italian hosts are anxious to communicate their desire to *do business with Russia. But* they also want to clarify his position on a number of outstanding deals both in Russia and in neighbouring republics.

One of the most delicate *issues concerns* talks with Finmeccanica, the state engineering group, to build and help *run power stations in Belorussia*, Russia and the Ukraine, receiving payments through *energy supplies. The hope is* that this can now be co-ordinated through Russia. Mr Yeltsin will also be pressed on means of recovering some $300m owed to Iri, the state holding company, for a steel plant at Volsky in Russia.

Despite all the rhetoric on Emu, the German decision shows little concern for Europe as a whole

Bundesbank decides to look after Number One

By David Marsh, Europe Editor

YESTERDAY'S decision by the Bundesbank to raise interest rates by 0.5 points is a milestone in the post-war economic history of Europe. Despite the political will in Bonn for decisive steps towards European union, Germany has served notice that it is still tailoring its economic policies strictly in the interests of one country – itself.

Just one week after the EC summit agreement in Maastricht to proceed to European monetary union (Emu) by the end of the century, the Bundesbank has flexed its muscles in a way which diametrically contradicts the wishes of most of its European partners. This will have two results.

First, the further dampening of European growth prospects is likely substantially to complicate European countries' task of achieving convergence of economic performance in the next few years. At a time when most European countries are still wrestling with economic slowdown, the depressive impact of higher interest rates will further jeopardise the aim of bringing down high *budget deficits across the Community*. This was one of the key conditions set for making Emu a reality.

Second, the realisation that the Bundesbank is still overwhelmingly focusing its policy responses on domestic considerations is likely to increase scepticism about Germany's true commitment to Emu.

In contrast with his usual misgivings about Emu, Mr Helmut Schlesinger, the Bundesbank president, gave an almost *suspiciously conciliatory* speech in Paris last week in reaction to the Maastricht *accord. Mr Reimut Jochimsen*, the outspoken president of the regional central bank of North *Rhine-Westphalia, who is* one of the 16-member Bundesbank council, issued probably a more accurate summing up of the Bundesbank's feelings when he criticised Mr Kohl's *compliance* as "maybe *suicidal*" on Tuesday in London.

The Bundesbank council took its first opportunity to discuss the deal yesterday. Although it will probably not issue *a formal statement* until next month, yesterday's response of a larger-than-expected increase *in* interest rates represents the most eloquent possible Bundesbank *reaction to the summit accord.*

The Bundesbank is, in effect, saying that unless Emu is founded *on rock-hard anti-inflationary principles*, it cannot be worth forging. The German *central bank has never been* happy about the prospect of relinquishing control over the *D-Mark* to a supranational European central bank. The Bundesbank would rather place at risk the entire undertaking than see it advance in a way which contravened its line of "stability first."

The Frankfurt credit tightening has particular effects on *two countries* which have been desperately seeking a chance to reduce interest rates. France *tried a go-it-alone cut in the* autumn, but was forced to reverse this last month with a *½ point increase in official* money market interest rates. Yesterday's Bundesbank action will increase pressures in Paris for further moves upward.

Community agrees open market in non-life insurance

By Andrew Hill in Brussels

EUROPEAN COMMUNITY consumers will be able to buy non-life insurance policies from companies anywhere in the EC from mid-1994, member states agreed yesterday.

Internal market ministers reached agreement on the third non-life insurance directive, establishing a single EC passport for insurance companies, and formally approved two other measures to help open the European insurance market *to* free competition.

Under the non-life directive, companies which set up in other EC countries will be supervised by their home *governments. National* authorities will lose the right to vet foreign companies' *contracts and premiums before* they are marketed, except in the case of compulsory policies such as car insurance.

Ministers indicated that the council might try to push the measure through without the approval of the European parliament if MEPs continue to block it.

Socialist deputies, the largest political grouping in the parliament, are holding the directive hostage, arguing that the social aspect of the single market has been neglected.

Existing legislation had already introduced the principle of home country control *for commercial buyers* of insurance. Yesterday's agreement extended it to *individuals, and overrode the* objections of Germany which had wanted to retain the *regional governments'* monopoly over fire insurance.

Sir Leon Brittan, the EC financial services commissioner, welcomed the threemeasures agreed yesterday as the "triple crown" of EC insurance legislation.

Ministers also formally approved the insurance accounts directive – which will help shareholders, policy-holders and brokers to make direct comparisons between insurance company accounts – and a third *measure* which sets up a committee to supervise implementation of Community *insurance legislation.*

The third non-life directive will come into force on July 1, *1994, although implementation* of some clauses has been deferred until the end of 1996 *for Spain and the end of 1998* for Greece and Portugal.

More internal trade barriers go

By Andrew Hill

EC MINISTERS scythed down more barriers to the internal market yesterday when they agreed or adopted a series of measures on everything from homeopathic medicines to electromagnetic compatibility.

The most important legislation included a directive opening up public services contracts – which account for 3 per cent of Community gross domestic product – to greater competition.

Internal market ministers agreed that the directive should not include calls for reciprocal liberalisation in non-EC countries, and also decided to deal with concessions – awarded by local authorities for street-cleaning, for example – outside the existing directive.

In a concentrated eight-hour meeting, member states also agreed the last three directives which form part of a 44-measure package of technical standards for cars manufactured in the Community.

France, Spain and Italy had been blocking the directives in an attempt to force the European Commission to clarify its stance on imports of Japanese cars into the EC. July's EC-Japan agreement on imports, and the recent clarification of the role of intermediaries in the cross-border car trade, were sufficient to end their resistance to the three type-approval measures.

Treuhand acts to curb abuses

By Leslie Colitt in Berlin

THE Treuhand privatisation agency has adopted new measures to curb abuses in the sale of its east German companies.

The disclosure that two electronics companies were sold to western investors earlier this year for as little as DM1 has forced the agency to revise its valuation guidelines. In response to pressure from Bonn, an obligatory 19-page negotiating checklist to identify "possible risks" to the Treuhand was issued to officials *selling the companies.*

The previous, highly misleading practice of valuing *companies according to their* assets has been replaced by the market value of the company. "*Asset valuation is traditional* in German business administration but it is a poor system," *one official remarked.*

As a part of the package of measures, company properties *not relevant to the business* are to be sold separately by the Treuhand's property division. *In the past, buyers of former* state companies frequently received at no extra charge *office buildings and other properties* in prime urban sites owned by the companies.

The property division, employing more than 200 people, has been swamped with *queries and is to be expanded* by another 300 employees attached to each of the Treuhand's subsidiaries.

The Treuhand hopes to get a decision by the German *Finance* and Justice Ministries under which buyers of east German companies would have precedence over claims of former owners of properties.

Two Serb enclaves in Croatia proclaim their independence

By Laura Silber in Belgrade and Judy Dempsey in Miokevicevo, central Croatia

THE European Community's peace initiative in Yugoslavia received a further setback yesterday when two Serb enclaves in Croatia declared independence as fighting swept the *breakaway republic.*

Lord Carrington, the EC negotiator, was quoted by Tanjug, the Belgrade-based news agency, as saying: "We have to see if there is any sense in the *Hague Conference or, as* [Serbian] President Milosevic said, it is not of much use."

The two self-proclaimed Serb autonomous regions in Croatia declared independent the Serbian Republic of Krajina. The two territories have no common border but they make up about one-*third of Croatia.* They include territory not controlled by Serb fighters.

The independence *declaration* came amid Croatian military successes in western Slavonia, where Croatian forces are preparing to regain the strategically important village of Bucje. *If Bucje*, the headquarters of the Serb nationalists in western Slavonia, central Croatia, *is seized, it will* provide an important military and psychological boost to the Croatian government.

Despite a federal offensive in the south of the republic, Croatian forces have regained a string of villages in western Slavonia over the past eight days, including Miokevicevo, Kamensko, and Vocim.

But the material and human *cost of the campaign has* been high. Entire villages have been destroyed and the Croat and Serb inhabitants have fled.

Yesterday, Croatian army trucks carrying reinforcements were being moved in to the area to consolidate the gains. Croatian soldiers said they now expected to regain most parts of western Slavonia.

"The federal army is retreating. The Chetniks [Serb nationalists] will not be able to hold *onto these villages here* without the support of the federal army," explained Mr Zdenko *Sabolic, whose troops yester*day moved into Miokevicevo.

"I think the federal army knows *that it* cannot hold onto western Slavonia, and at the same time hold onto eastern *Slavonia*," a Croat officer said. Eastern Slavonia, which borders with the Serb-controlled province *of Vojvodina, forms* part of the crucial area which has been mapped out to form greater Serbia.

"Serbia and the army are determined to dig into eastern Slavonia," the officer said. "This rich, agricultural region is vital for Serbia. At some stage we will have to launch an all-out offensive to regain this part of Croatia. Many lives *will be lost.* But we will not allow Serbia to hold onto it," he added.

Mr Herbert Okun, the head of the United Nations observer team, said his unit would visit central and eastern Croatia despite the upsurge in fighting in the area. But he said peacekeepers could not be deployed until a ceasefire takes hold.

EC plan for voluntary eco-audit by companies

By David Gardner in Brussels

THE European Commission has agreed plans for a system *of voluntary audits* by companies of how their activities affect the environment.

The scheme is a far cry from Brussels' original plans to make these eco-audits mandatory for most sites in 58 industries, which had alarmed industrial lobbies across the Community. The voluntary plan, which still needs approval by EC governments, is more in line with the eco-label system the Council of Ministers approved last week.

In the same way that the label is designed to identify for *consumers those products* which do least damage to the environment, the proposed *audit system* would highlight companies which keep the closest rein on their environmental performance.

Companies taking part and conforming to EC-agreed green auditing norms would be entitled *to* use a logo on their annual reports, letterheads, and advertising, so that the system would become a marketing as well as management tool.

Brussels would set the standards, the examination would be carried out either by company or external auditors, and then verified by independent experts nominated by national governments.

Mr Carlo Ripa di Meana, EC *environment commissioner*, made no effort to conceal yesterday that this was less than he had wanted. But he said "we do not want to constrain companies with a complicated network of laws and onerous costs."

The Commission *estimates* that the cost of an audit for one *site employing up to 50* people would be Ecu3,000 ($3,750) over three years – "a similar amount they might spend on office cleaning" as one official put it. This, of course, leaves aside the cost of putting right any environmentally-damaging practice the audit showed up.

Mr Ripa di Meana said he hoped the measure would be approved under the UK presidency of the EC in the second *half of next year.*

● David Buchan adds: The Dutch presidency of the EC yesterday *failed* in an attempt to rewrite bits of the Maastricht treaty's controversial social chapter which it and 10 other EC states agreed *on* as a means to bypass the UK in making employment laws.

Formally, it was a *letter* by Mr Giulio Andreotti, the Italian prime minister, which killed the Dutch attempt to unpick part of the hard-won compromise on social policy at Maastricht. But it needed only one of the 11 signatories to the separate social policy protocol to object for the Dutch presidency's revisionist bid to fail. *Had Italy not spoken up, it was* clear that France and Belgium would have done so.

The revisions would have slightly weakened the social provisions agreed by the UK's partners.

Mr Carlo Ripa di Meana: disappointed

Germans clear way for recognising republics

By Quentin Peel in Bonn

THE GERMAN government last night agreed in principle to recognise any former Yugoslav *republic which requests* recognition before December 23 and complies with European *Community conditions* on respect for human rights and minorities.

The move opens the way for automatic recognition of both Croatia and Slovenia on January 15, the deadline agreed for a common move by EC states.

The German government has made it clear that it has no doubts at all about the ability of both republics to comply with the EC conditions.

Foreign ministry and Croatian government *officials* have held two days of talks in Bonn on *future economic and* cultural relations, and on German humanitarian aid.

Last night's German move steps up the pressure on other EC countries, particularly Britain and France, which have greater reservations about recognising Croatia in the *middle of the* present fighting. It confirms a clear change in German diplomatic behaviour, since reunification, to become more determined and assertive in its policies both within and outside the EC.

Germany stressed its "determination to support Croatia in the reconstruction of the country and in setting it on the *path to democracy and a market economy.*"

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OECD ECONOMIC OUTLOOK

Paris-based think tank expects upturn in industrialised world in six-months' time

Fundamentals for recovery in place

By Peter Norman, Economics Correspondent

ECONOMIC recovery in the 24 industrialised nations in the Paris-based Organisation for Economic Co-operation and Development will be delayed by about half a year compared with the growth trajectory plotted in the OECD's last Economic Outlook six months ago.

The latest, 50th issue of the Outlook projects OECD growth in the second half of 1991 at a niggardly 1 per cent annual rate compared with the first half of this year. By contrast, July's Outlook looked forward to expansion at a 2.4 per cent annual rate in the current six-month period.

The industrialised world will have to wait until the second half of next year for growth to reach the annual 3 per cent rate, which is normally associated with maintaining employment levels. Last summer, the OECD believed this growth rate would be achieved in the first six months of 1992.

Despite this setback, the organisation believes the "fundamental conditions for renewed growth at a moderate pace are in place".

Although the OECD projects a weaker expansion than in previous upturns, it is unswayed by talk of double dip recessions. Economic activity is recovering in countries where it has fallen, albeit more slowly than expected in the US. Growth is picking up in countries where it has been weak. It is slowing to a more sustainable pace in Germany and Japan where evidence of overheating persisted into this year.

As a result, the OECD believes that by 1993 output in the industrial world could be expanding at annual rates of more than 3 per cent; with differences in the rate of expansion across countries narrowing considerably. By then, underlying inflation could be edging down in many countries. However, it expects little overall improvement in unemployment which is projected to be unchanged from its present rate of just over 7 per cent.

The OECD admits that recent softness in economic indicators has added to uncertainty about the timing and strength of growth. The impetus behind the projected pick-up in activity seems less than in past recoveries. The shallowness of the recession and high levels of indebtedness point to only a moderate revival of consumption and investment spending.

Interest rates are the main factor shaping the outlook for economic growth, it says. These have fallen markedly in countries that experienced recession and moderately elsewhere, and the OECD sees no need at present to adjust the basic stance of monetary policies.

However, it concedes that "in many countries" the risks to activity are on the downside. According to Mr David Henderson, head of the OECD's economic and statistics department, countries would be right to lower interest rates further if growth were to prove slower than forecast in the Outlook. But he said in Paris yesterday that the OECD's projections for next year were consistent with further bad news in the form of weak indicators between now and the next issue of the Economic Outlook next June.

The latest Outlook provides a checklist for policy-makers wondering whether they should cut rates further in the present uncertain state of the world economy. Before acting they should bear in mind that:

- the most recent easings of monetary policy have yet to be have their full impact;
- it is unclear how far sluggish expansion of money and bank loans will restrain recovery because the growth of credit and liquid balances in securitised forms should make output growth less dependent on bank finance, and
- further easing should not erode the credibility of the authorities' commitments "to achieve approximate price stability".

The OECD believes that monetary easing will only help growth if long-term, market determined interest rates fall as well as short-term rates controlled by central banks. It warns that "the experience of the past 40 years is that monetary policy runs a greater risk of over-stimulation than of failing to boost activity."

On fiscal policy, the OECD believes countries should continue to place the main emphasis of policy on containing and reducing deficits to free funds to finance investment. "Here again, credibility is easier to lose than to earn and keep," Mr Henderson warned.

The Outlook says that the US budgetary process "still appears inadequate to keeping federal finances on a sound course". Policies in Germany appear sufficient to reduce the general government borrowing requirement to 3 per cent of gross national product by 1994, "but this objective allows no room for slippage". The OECD notes that in Italy "sizeable additional – and ambitious – measures" are planned to put deficit reduction on track. But these have yet to be implemented, and similar attempts in the past have failed to reach their goals.

The OECD gives its approval to "active" labour market policies, such as retraining, counselling and improved job placement, to deal with the continuing problem of unemployment. At the same time governments need to remove regulatory impediments to the efficient working of labour markets and create conditions for a better balance between wages and capacity of economies to pay them.

With the Uruguay Round of trade liberalisation talks still in the balance, the OECD strongly repeated its call for a positive conclusion. Such an outcome would "yield gains in dynamism and efficiency" in the industrial world and help support moves to liberalisation in the developing world and the former communist countries of eastern Europe.

Mr Henderson pointed out that protection for domestic producers in countries such as Czechoslovakia, Poland, Chile and Mexico was now lower, more uniform and more transparent than that accorded to producers in most OECD countries. "For the first time in economic history, the main impulse to trade liberalisation is now coming not from the industrial countries which profess to accept liberal norms, but from countries whose past tradition has been to question or reject them," he said.

Presenting his last OECD Outlook before retiring from the organisation in April, Mr Henderson said there was still great scope for further integration in the world economy.

He called on OECD governments to move towards establishing a liberal international economic order, in which virtually all the countries of the world would be full participants. This would bring large political and economic gains.

"The fact is that the current and prospective costs of continued OECD protectionism, which were considerable even before the recent changes in central and eastern Europe and elsewhere in the world, have now been substantially increased," he said.

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OECD ECONOMIC OUTLOOK
Summary of Projections*
(Seasonally adjusted at annual rates)

	1990	1991	1992	1993	Previous forecast♣ 1992
US	1.0	−0.5	2.2	3.8	3.1
Japan	5.6	4.5	2.4	3.5	3.5
Germany	4.5	3.2	1.8	2.5	2.2
OECD Europe	2.9	1.2	2.0	2.7	2.4
Total OECD	2.6	1.1	2.2	3.3	2.9
World Trade (%change**)	5.2	3.3	5.7	7.2	5.8
Inflation (GNP/GDP deflator)(% change)**					
US	4.1	3.8	3.0	2.9	3.6
Japan	1.9	2.2	2.1	1.9	1.9
Germany	3.4	4.4	4.5	3.9	4.2
OECD Europe	5.7	5.8	5.1	4.5	5.1
Total OECD	4.3	4.2	3.7	3.3	3.8
Current Balances ($bn)					
US	−92.1	−4.1	−55.8	−60.6	−58.0
Japan	35.4	69.5	81.8	80.4	52.1
Germany	47.9	−20.6	−14.1	−12.1	11.1
OECD Europe	−10.4	−51.7	−43.8	−44.7	−17.3
Total OECD	−101.6	−15.1	−48.0	−57.4	−47.2
OPEC	16.5	−42.1	−12.3	−13.3	−13.2
Non-OPEC dev countries	−17.7	−35.3	−38.1	−29.7	−23.7
Unemployment (% of labour force)					
US	5.5	6.7	6.7	6.1	6.3
Japan	2.1	2.2	2.3	2.3	2.3
Germany	5.1	4.6	5.0	5.1	5.1
OECD Europe	8.1	8.7	9.3	9.3	9.0
Total OECD	6.3	7.1	7.4	7.1	7.1

**assumptions include: no change in policies; no change in exchange rates from November 5 1991 i.e. $ = Y129.38 and DM1.64; oil price $19 per barrel for second half 1991 and constant in real terms thereafter. Cut off date for other information used in the projections was November 12. In case of Germany, data for GNP, inflation, labour markets refer to western Germany only. But from first half 1990, current balances refer to united Germany. **from previous period.♣ projections from Outlook No. 49, July 1991.* Source: OECD Outlook No. 50

Changing fallacies of 25 years of economics

By Peter Norman

THE latest OECD Economic Outlook is the 50th to be published every half year since July 1967.

It is, like the organisation that produces it, rather understated. But it bears witness to the changing fads and fallacies of international economists in 25 years of relentless and often confusing change.

The first Outlook was published as the post-war "golden age" of strong economic growth, low unemployment and stable inflation was drawing to a close. Few realised that at the time, however. Academic economists and policy makers were still confident that high or full employment – meaning a jobless rate of around 3 per cent – could be maintained through active demand management.

The 1970s provided a series of shocks as the Bretton Woods system of fixed exchange rates broke down, oil prices soared, inflationary pressures grew and high growth rates gave way to recession. Yet as late as 1977, the OECD published a report, "Towards full employment and price stability", talking of growth in the 24 member countries of 5.5 per cent a year between 1975 and 1980.

Such hopes proved too optimistic and had to be abandoned. So did many of the prescriptions of that time – such as prices and incomes policies.

In the face of high inflation and unemployment, the 1980s produced a more sober assessment of the capacity of governments to influence economies and a growing awareness that deregulation and reform of economic structures were needed if performance were to start improving again.

Gradually a consensus emerged that stressed the role of monetary policy in containing inflation and the importance of reducing fiscal deficits to create scope for private sector investment.

The latest Outlook notes that economic performance in the OECD has deteriorated in recent years. Finding out why will be the task of economists and policy makers in the 1990s.

Brighter outlook for east Europe

By Peter Norman

OUTPUT in the former communist countries of eastern Europe is expected to continue falling next year, but at a slower rate of 2.2 per cent overall compared with nearly 10 per cent this year, the OECD reported.

Its latest Economic Outlook, it said this year's estimated 50 per cent drop in trade among the former members of the Comecon trading block had been one important reason for declining output in Bulgaria, Czechoslovakia, Hungary, Poland and Romania. But another factor could be the impact of structural reform.

The OECD said reform efforts had been truly radical in intent. "But behaviour changes have been less evident; and implementation problems have been pervasive."

OECD economists believed that the fall in output in Hungary might reach a trough in the middle of next year while Czechoslovakia would lag somewhat behind, and Bulgaria and Romania still further. They expected output in Poland to be roughly unchanged next year although the downside risks to this forecast were considerable.

The OECD made no forecasts for the former Soviet Union, which it said was becoming increasingly disorganised economically. But it believed the Soviet foreign debt problems reflected a hoarding of foreign exchange rather than a deteriorating trade balance. It said reduced imports should have caused large swing of around $7bn to surplus on the overall hard-currency current account.

Modest upturn seen for Britain next year

BRITAIN will experience a modest economic recovery next year with the GDP growth rate likely to lag behind the growth of potential output until 1993, the Organisation for Economic Co-operation and Development reported, writes Peter Norman.

In its latest Economic Outlook, the OECD said the recession in the UK appeared to have ended by the summer of 1991. "A modest recovery may be under way, accompanied by more rapid disinflation than had been widely expected," it said.

If the OECD forecasts turn out to be true, Britain will cease to be the slowest growing member of the Group of Seven leading industrial nations next year and will assume a position in the middle of the G7 growth league after three years at the bottom.

But the organisation warned that high private sector indebtedness would restrain growth. Unemployment was therefore likely to continue rising, "perhaps stabilising at some 2.7m or more in the first half of 1992, or almost 10 per cent of the labour force" before edging down gradually afterwards.

The OECD expected nominal wage settlements in Britain to fall to around 5 per cent by 1993, representing levels not seen since the 1960s. "With sustained productivity gains, underlying costs pressures should be quite subdued in the coming two years, allowing a recovery in profitability," the OECD added.

It forecast that inflation, as measured by the GDP and private consumption deflators, could drop to, and stay below 4 per cent over the next two years.

Such an outcome would partly reflect a "change in attitudes" in industry's drive to contain costs and moderate wage claims in response to lower inflation.

The OECD said such changes were not only consistent with maintaining sterling's rate in the European Monetary System but could mean that the output and employment losses associated with achieving low inflation would be significantly smaller than in the past and notably less than in the early 1980s.

The OECD said further supply side reforms in to improve the flexibility of the economy were needed.

A vicious wit to fell the opposition

Kevin Brown on what the Australian Labor party wants from its new prime minister

SIX MONTHS after failing at the first attempt, Mr Paul Keating finally made it yesterday to The Lodge, the modest Canberra residence of Australia's prime ministers.

It was the end of a long campaign of attrition against Mr Bob Hawke, whose reward for leading Labor to power in 1983 was to become the first Labor prime minister ejected from office by his own party.

Mr Keating's 56-51 margin was closer than expected by many observers, including Mr Hawke's own chief supporters, who feared he would be humiliated by a landslide loss.

The closeness of the vote allowed Mr Hawke to depart with a measure of dignity, but it also underlined the deep split in the Labor Party that Mr Keating inherits. He now has two months to reunite the party and reinvigorate its policies before parliament meets again in February for the last full year before the next election – which must be held by May 1993.

Labor turned to Mr Keating because it had lost faith in Mr Hawke's ability to overhaul the conservative opposition, which has built up an 18 point lead in the opinion polls since narrowly losing the last election in 1990.

What the party wants from Mr Keating is the kind of fighting talk which made him Labor's best parliamentary performer in his eight year stint as treasurer (finance minister) – which ended when he retired to the back benches in June.

He is capable of both spectacular vulgarity – "scumbag" is a favourite insult – and vicious wit, exemplified by his description of a vanquished parliamentary opponent as a "soufflé" because he never rose twice. It is a combination picked up in the brawling factional politics of New South Wales, where Mr Keating joined the dominant right-wing faction after leaving school and quickly learned how to use ridicule and the rule book to cow his left-wing opponents.

Unlike Mr Hawke, who leaves The Lodge hoping to be remembered as a man who was unchanged by high office, Mr Keating long ago left behind his Irish catholic working-class upbringing. As treasurer, he acquired a collection of French second-empire clocks and classical recordings which meshed seamlessly with his taste for free-market economics and sharp Italian suits, but contrasted oddly with the government's class-based rhetoric.

It was an image which helped push his popularity to a record low when, last year, Australia moved into recession partly as a result of the government's miscalculated monetary policy.

Significantly, after the vote yesterday, he appeared in an old suit, and went out of his way to apologise for his description of the slowdown as "the recession we had to have".

It looked like the first steps in a campaign to give the new prime minister a caring image. However, Mr Keating seemed ill-at-ease in the role. He was uncharacteristically nervous, and came to life only when an economic question allowed him to reel off some figures.

A new prime minister for Australia: Paul Keating smiles at a press conference after defeating Bob Hawke as leader of the Labor Party yesterday

His priority as prime minister will be to restore harmony to the government, without which Labor will suffer an inevitable defeat at the election.

A major reshuffle is unlikely given the instability caused by two reshuffles over the last six months. But there may be changes, if only to bring some new blood into the cabinet. The most likely candidates to go will be Mr Gerry Hand, the immigration minister, and Senator John Button, the industry minister.

The immediate impact of the change of prime minister is likely to be a 1 per cent cut in interest rates, to 7.5 per cent, which has long been factored in by the markets in the event of a victory by Mr Keating.

There will also be an economic statement early in the New Year aimed at reducing unemployment, currently at a post-war record of 10.5 per cent. Mr Ralph Willis, recently installed as treasurer by Mr Hawke, signalled similar intentions earlier this week.

Mr Keating's greatest advantage over Mr Hawke will be the end of the debilitating leadership struggle, which has distracted attention from government policies. He is also more likely than Mr Hawke to be able to rattle the conservative opposition, led by Mr John Hewson, a former economics professor, who also replaced an ageing predecessor.

Mr Keating's strategy will be to lead from the front by attacking the opposition at every opportunity, while hoping for an economic upturn.

In the aftermath of victory, he appeared nervous, but he knows better than anyone that his performance will have to change rapidly if he is to claw Labor back from the abyss into which the leadership struggle has almost plunged it.

Hawke blamed for economic misjudgment

The master of consensus leaves a bitter division

By Kevin Brown and Alexander Nicoll

BOB HAWKE came to office as the healer, the master of consensus. He leaves with a mixed record, and with his own reluctance to quit having caused a bitter division in his Labor party.

The leadership struggle has paralysed the government and probably considerably weakened the party's chances of winning the next election. A deep recession, blamed on misjudgments by both Mr Hawke and Mr Keating, has also made re-election an uphill task.

Mr Hawke, 62, was for 10 years president of the Australian Council of Trade Unions until he entered parliament in 1980. His first contribution on becoming prime minister in 1983 was to heal the wounds which opened up in Australian society during the years of his predecessors, Mr Gough Whitlam and Mr Malcolm Fraser.

His talent for consensus helped Australia to put behind it the trauma of the 1975 constitutional crisis, when the governor-general sacked Mr Whitlam at Mr Fraser's urging. His initially direct and outward-looking style, itself a reflection of a surge in Australian self-confidence, also helped.

His government, favouring tripartite summits as a way of developing economic policy, won an accord with the trade union movement which swapped union wage restraint for social policy advances in health, education and social services, and later for tax cuts.

The great progress was in attacking regulation and protectionism. He achieved deregulation of the financial sector, the entry of foreign banks, floating of the currency, a semi-independent regime for interest rates and a determined attack on tariffs, which are scheduled to become minimal by 2000.

The Australasian model, embracing the comparable reformist Labour government in New Zealand, was legitimately considered for some

Hawke: took a prominent role in the Commonwealth

years to be worthy of emulation.

But the overall record turned out to be a more mixed one. The accord with the unions was a valuable tool in reducing inflation, but it also had the effect of increasing the share of corporate profits in GDP at a time when Australia was in the grip of an asset boom.

The boom got seriously out of hand in Australia – growth in the stock market exceeded even that in Japan between 1983 and the crash in 1987.

Consequently, the correction, when it came, was even more severe than elsewhere, and the market is still below pre-crash levels.

There have been two important failures. Macro-economic policy, which had been too loose after the 1987 crash, was kept too tight after a current account and foreign debt problem developed in 1989. The misjudgment, together with the collapse in asset values, weak commodity prices and a drought, has caused a serious recession and record unemployment.

Secondly, the government failed to achieve significant micro-economic reforms: this has left bottlenecks in transport industries and a rigid labour market in which wage settlements generally bear no relation to demand for labour or to productivity.

Mr Hawke also made his mark as an international statesman, taking a prominent role in the Commonwealth, particularly on the issue of South Africa, and in promoting Australia's position among its Asian neighbours, for example by proposing the creation of Asia Pacific Economic Co-operation, the grouping which now embraces 14 Pacific nations.

However, the poor state of the economy and the collapse of some of the country's best-known entrepreneurs has done little for Australia's image and its reputation for competitiveness.

A combative, proud and emotional man, and an archetypal Australian, he was yesterday gracious in defeat.

"I am now a considerably poorer man, my income stream has been diminished, I have considerable debts and I will have to think how to meet those," he said.

Japan's ruling LDP backs plan to raise taxes

By Stefan Wagstyl in Tokyo

JAPAN'S ruling Liberal Democratic party yesterday backed a plan to raise taxes in the financial year starting April 1992 in order to make up expected shortfalls in tax revenues caused by a slow-down in the economy.

The proposal for an increase of Y737bn (£3.15bn) follows weeks of increasingly intense lobbying between politicians, bureaucrats and businessmen in which the Ministry of Finance played a crucial role.

The ministry, which has a long-standing aversion to fiscal deficits, resisted from the outset demands for an economy-boosting budget funded by increased borrowing. The planned tax increases are slightly less than the Y800bn the ministry originally wanted. But the ministry and the cabinet look set to approve the LDP's proposals in the next few days.

The ministry is working on a draft budget which envisages a 4.5 per cent increase in general government expenditures to around Y38,700bn, including a 6 per cent rise in official development assistance. The ministry had wanted to create a special Y500bn international contributions fund, but the proposals ran into opposition from rank-and-file LDP members. They objected to introducing such a high-profile new expenditure in an election year (elections to the bicameral Diet's upper house are due next summer). However, the planned increase in ODA is expected to meet most of the government's needs.

Under the LDP's plan, the extra tax revenues will largely be raised by extending a temporary corporation tax introduced this year for two years. This will help finance Japan's contribution to the Gulf War. The tax is levied at the rate of 2.5 per cent.

The party has also agreed to the continuation for a further two years of a 6 per cent sales tax on cars. This was originally introduced in 1989 and due to be reduced in March 1992 to 3 per cent, the normal rate of sales tax.

The plan also envisages raising extra funds from changes in inheritance tax, from adjustments in the way standard corporate tax is applied to loss-making companies and from the introduction of a new land-holding tax.

As well as raising revenues, its purpose is to discourage landlords from leaving property vacant.

S Africa's economic ills could bedevil a transition to democracy

By Philip Gawith in Johannesburg

A RECENT study of the prospects for South Africa's political transition has a sobering message for delegates to the Convention for a Democratic South Africa (Codesa), which today begins negotiations on the country's constitutional future.

History records no example of a successful transition from an authoritarian to a democratic society against the background of a declining standard of living, according to the study by two of South Africa's leading financial institutions.

Hence the significance of recent figures from the Department of Finance, which show that real gross domestic product, per capita, has fallen in South Africa since 1981 at an average annual rate of about 1.5 per cent.

Although the Reserve Bank estimates that real gross domestic product is down by less than 1 per cent over the 32 month period of the recession, the effects on the ground have been much more severe than that figure suggests.

Retailers agree that trading conditions are the most difficult they have experienced in 20 years. Insolvency figures – up 45 per cent in July-October over the same period in 1990 – underline this story.

The impact of the recession has been especially painful on the employment front.

The Reserve Bank pointed out in its annual economic report that the labour absorption capacity of the economy – the proportion of job-seekers gaining formal employment – dropped from an average 97 per cent in the 1960's, to 72 per cent in the 1970's. In the 1980's it fell further, to 22 per cent. But even more striking are the figures for 1985-1990, when the ratio dropped to an average of only 7 per cent. The trend is only due in part to labour-saving machinery.

Growing unemployment, accompanied by a sharp rise in crime, inevitably contributes to the political tensions Codesa delegates are trying to resolve, but prospects for economic recovery remain uncertain.

The Reserve Bank is gloomy about the short term, predicting only "small positive real growth" for 1992. Nevertheless, some economists anticipate much higher growth in the next few years – provided there is a successful conclusion to the current talks.

One of the main reasons for optimism is the belief that South Africa would no longer have to run a current account surplus in order to service its external debt. Sympathetic treatment by creditors of a post-apartheid South Africa would allow extra resources to finance growth.

Optimists also hope for firmer commodity prices and improved world economic growth. But if these hopes are not fulfilled, the trigger for economic recovery is likely to be a lowering of interest rates. Although the Reserve Bank has had limited success in its fight with inflation, economists agree inflation has peaked (at around 17 per cent according to official figures), and as it declines so will interest rates.

Codesa is not specifically addressing economic issues. But the business community is hoping that sooner rather than later, the conference agenda will discuss the formidable economic problems that face a new South Africa.

Historic talks on a post-apartheid constitution will begin later today in South Africa despite the last minute decision by the Zulu leader, Chief Mangosuthu Buthelezi, not to attend, Patti Waldmeir writes from Johannesburg. The Inkatha Freedom Party, the mainly Zulu political group which Chief Buthelezi heads, will send a full delegation to today's Convention for a Democratic South Africa (Codesa). It brings together over 200 delegates from across most of the political spectrum. Leading political figures said yesterday they regretted the Chief's decision to pull out, which was taken in protest at Codesa's refusal to allow the Zulu king to attend the talks with a separate delegation.

Roh reshuffles cabinet

MR Roh Tae Woo, South Korea's president, yesterday reshuffled his cabinet to form the government team for next year's parliamentary and presidential elections, John Ridding writes.

The reshuffle was smaller than expected, affecting only seven of the 27 ministers and leaving the economics team largely intact.

"President Roh has decided that the most urgent work is economic recovery and therefore he must have a consistent policy," said Mr Lee Soo Jung, the presidential spokesman, who was appointed minister for culture yesterday.

Mr Roh's government has been criticised for its handling of the economy. Inflation is running at an annualised rate of about 10 per cent, and the current account deficit, already over $10bn, is five times larger than last year.

Ms Benazir Bhutto leads opposition deputies out of parliament yesterday to protest against the gang-rape of a friend

Opposition disrupts parliament

Pakistan PM under fire over rape case

By Farhan Bokhari in Islamabad

AN opposition campaign against President Ghulam Ishaq Khan intensified yesterday when his annual address to parliament was disrupted by opposition MPs while outside police in riot gear used tear-gas on hundreds of opposition supporters.

As Mr Khan rose to speak, Ms Benazir Bhutto, the former prime minister, and fellow MPs tried to interrupt by raising a point of order. When the speaker ruled this inadmissible, MPs began to bang tables and shout. They walked out half an hour after the speech began.

The move was a sign of continuing pressure on the president over the alleged gang rape of Ms Farhana "Veena" Hayat, a close friend of Ms Bhutto, on November 27. Ms Hayat's father says she was raped at her home by five gunmen who said they were sent by Mr Irfanullah Marwat, son-in-law of the president. Mr Marwat, home affairs adviser to the government of Sindh province, denies the accusation.

Later, Ms Bhutto told a press conference: "This president does not represent the unity of parliament." She added that: "He represents interests of his family". She described Ms Hayat's case as evidence of the worst kind of male prejudice and chauvinism which was meant to intimidate her, and vowed to continue her struggle against "fascist" rule.

However, Mr Khan denied the allegations. He said he condemned the attack on Ms Hayat but that it was up to the judiciary to decide the case. He denied that Mr Marwat had been named as a suspect in the case.

Yesterday's developments preceded today's tribal *jirga*, a meeting of elders called by Ms Hayat's father in the northern town of Fateh-Jang to discuss the case and decide on future action.

Mideast talks will move to Moscow

By Our Middle East Staff

THE third stage of Middle East peace talks will open as scheduled in Moscow at the end of January, Mr James Baker, the US secretary of state said yesterday.

Mr Baker told journalists after a Nato meeting in Brussels that the talks would open on January 28 and 29 despite the break-up of the Soviet Union. "The parties involved all want to see that happen...We are not about to pull back on an agreement. We expect the talks to take place," he said.

A total of 35 countries, including Maghreb and Gulf states will join the talks, which are expected to cover such topics as water resources, the environment, refugees and arms control.

Bilateral talks between Israel and its Arab neighbours, adjourned in Washington on Wednesday after six days of inconclusive debate over the status of Palestinian delegates, the meaning of UN resolutions and the US role in the peace process.

Military lets ex-MPs stand in Nigeria poll

NIGERIA'S presidential race has been thrown wide open by a military decision to allow disqualified former legislators to seek elective office, political sources said yesterday, Reuter reports from Lagos.

But the sources said the Armed Forces Ruling Council's (AFRC's) move on Wednesday was likely to cause more confusion in the two military-created parties vying for full civil rule late next year following bitterly-fought state governorship polls.

It affects several thousand ex-politicians and officials, some with powerful followings.

They were originally disqualified from politics until civilian rule was restored to help to create a fresh political climate in a country with a history of ethnic and political tensions.

A statement issued after the AFRC meeting said people in President Ibrahim Babangida's administration were also free to join the political process, apart from the president himself.

UN gets funding for Iraq guards

By Frances Williams in Geneva

THE United Nations has succeeded in raising enough funds to maintain a contingent of UN guards in northern Iraq, following a warning earlier this week that it might have to be withdrawn.

Prince Sadruddin Aga Khan, head of UN aid operations in Iraq, announced yesterday in Geneva that contributions of just over $8m (£4.3m) would mean the contingent could be restored to 500 within a few weeks. The lack of funds had already forced the UN to repatriate 127 guards, leaving the present strength at about 360.

The bulk of the extra funds has come from Germany, which put up $6.26m, and Britain, which contributed $1m.

Taiwan's election campaign highlights independence issue

Tomorrow's poll, the first fully contested by the opposition, is being anxiously watched by China, **writes Luisetta Mudie**

TAIWANESE voters go to the polls tomorrow in what will in effect be a referendum on the question of independence even though the word has officially been banned in the election campaign.

The elections to the National Assembly, which votes on changes to the constitution and elects the president, are the first to be fully contested by opposition parties and the first in which the ruling Nationalist Party, the KMT, does not have a built-in majority.

The main opposition Democratic Progressive Party (DPP), led by Mr Hsu Hsin-Liang, adopted independence for Taiwan into its manifesto last October despite laws forbidding it to do so.

The KMT condemned the move, calling it "an irresponsible act which affects the security of the nation and the well-being of the people." Though Taiwan has operated as an independent state since 1949, the KMT, headed by President Lee Teng-Hui, claims to be the sole legitimate government of all of China with Taipei as the provisional seat of government.

It seeks eventual reunification with China but on its own terms. To advocate independence for Taiwan is considered seditious and is technically punishable by long prison sentences. References to independence have been deleted from DPP campaign literature and party political broadcasts on national television.

Despite the question that this raises about the degree of democracy in Taiwan, these elections represent a significant step in the democratisation process and also towards renunciation by the KMT of the claim to sovereignty over the mainland.

All the "old thieves," the deputies elected to the Assembly in 1948 for constituencies on the mainland, have been pensioned off and a quarter of the 325 seats have been designated to represent the mainland, no longer with pretensions to represent any specific constituency.

Direct elections from Taiwan constituencies will account for 225 seats, while the other 100 will be allotted proportionately according to each party's share of the vote.

The campaign has been marked by complaints of unfair treatment in the media by the DPP and accusations of corruption and violence on both sides. Professor Michael Reisman of Yale University, who is observing the elections, said fairness could be called into question if it were found that the electorate had not been apprised of the DPP's views as a result of censorship.

The turnout is thought likely to be 60 to 65 per cent of the 13m eligible voters. The KMT is confident of winning the 75 per cent majority it needs to carry through its programme of constitutional reforms.

The DPP is aiming for about 30 per cent of seats in the Assembly, but is demanding that the old constitution, a left-over from the days of KMT rule on the mainland, be scrapped and a new one written for a Republic of Taiwan.

Mr Chang King-Yu, president of the National Chenci University, thinks that the majority of Taiwanese will opt for stability. "The KMT may have some shortcomings but it's a brand people know," he says.

"The violent behaviour of some of the DPP's supporters and the party's lack of experience in government worries people. Also, they will not vote for something which is potentially dangerous." Other analysts say however that there is a growing demand among educated people for recognition for Taiwan in the international community.

Taiwan is the world's 13th largest trading nation but it has not been able to make headway in the world diplomatically as most of its efforts are blocked by China.

There is no doubt that the Chinese government, too, will be anxiously awaiting the election results. Relations between Taipei and Beijing have been improving steadily in recent years.

Since the rise of the independence movement Beijing has had a vested interest in the KMT retaining power. Both governments are in favour of eventual reunification but the KMT is trying to buy more time, ever hopeful of political change in China.

The Chinese government has made some ominous threats about what might happen should Taiwan declare itself independent, and has not yet renounced the use of force against the island. While this is a useful weapon against the DPP in the election campaign, and the progress made in relations with China is probably a vote-winner, the KMT must be careful not to appear too sensitive to Beijing's every word and gesture if it is to avoid criticism from all sides at home.

The KMT will know tomorrow whether its political juggling act has succeeded.

If the customer is always right, the world's best airline is Swissair.

Air travel is more than just a convenient way of getting from A to B...or Z. Airlines compete with each other to provide passenger satisfaction. An airline's success, indeed its survival, depends on it. Over the past 26 years, an independent research company, the International Travel Research Institute (INTRAMAR), has developed techniques to measure this crucial factor. It has evaluated passenger satisfaction for a total of 95 airlines in 72 countries. Its latest survey, the recently published *Intramar World Airline Monitor 1990-91*, identifies the decisive influences:

Top factors in passenger choice of airline and satisfaction rating.

1.	Punctual flights	76%
2.	Excellent in-flight service	59%
3.	Superior aircraft	52%
4.	Comfortable seats	48%
5.	Efficient reservations	44%
6.	Discounts/money-saving deals	43%
6.	Good check-in service	43%
8.	Clean cabins, seats, washrooms	38%
9.	Good food and beverages	36%
10.	Attractive frequent flyer plans	28%
11.	Superior business class	26%
12.	Superior first class	17%

Who says so?

INTRAMAR interviewed 1,450 respondents in forty major cities, in 26 different countries in Europe, North America, Asia, and Australia. They are qualified to make a sound judgement by reason of two important sampling requirements. In the first place, they are all frequent travellers, who make an average of ten international flights per year. Secondly, they are experienced travel agents, with an average of ten years in the travel industry, who are professionally knowledgeable regarding airline service and performance. And they weren't just sent a questionnaire to fill out and return. They were interviewed in person.

How do they know?

From their own flight experience. Each of them had flown the airlines they reported on within the past three years – a total of 32,000 recent flights on 44 different airlines.

These seasoned travellers hold strong opinions. In most research studies, a high proportion of respondents will opt for an easy 'don't know' or 'no opinion' answer, usually between 10 and 20 per cent of any sample. In this survey of airline satisfaction ratings, more than 99 per cent of those questioned wanted to express an opinion.

How did they rate the airlines they fly?

In total, 44 airlines were graded in seven different categories (figures represent the number of airlines in each category):

Above average		Below average	
Super-Excellent	9	Fair	4
Excellent	12	Rather poor	6
Good	3	Very poor	6
		Extremely poor	4

Twenty airlines were rated below-average, in the categories 'Fair' to 'Extremely Poor'. The study does not disclose these by name, except to the airlines concerned. However, it does identify the 24 carriers which performed above-average:

The 24 top airlines.

		Index
Super-Excellent		
1	Swissair	180
2	Singapore Airlines	173
3	Lufthansa	165
4/5	Cathay Pacific	157
4/5	Thai International	157
6	KLM	154
7/8	British Airways	150
7/8	Japan Airlines	150
9	Finnair	149
Excellent		
10	Virgin Atlantic	148
11	Qantas	147
12	Air Canada	146
13/15	All Nippon Airways	144
13/15	South African Airways	144
13/15	SAS	144
16	Varig	137
17	Japan Air System	136
18	American Airlines	133
19	Air New Zealand	132
20/21	Canadian Airlines	124
20/21	Air France	124
Good		
22	Gulf Air	118
23	Malaysia Airlines	117
24	Delta Air Lines	108

The average Passenger Satisfaction Index for all 44 airlines surveyed is 106.

(It should not be assumed that an airline which does not appear on this list has a below-average passenger satisfaction index. The survey did not cover all of the world's airlines, just 44 of the better-known carriers.)

The competition to provide passenger satisfaction continues.

Swissair is proud to have been named as the first choice of the world's most knowledgeable and seasoned travellers. (At this level, the researchers say, the phrase should be 'passenger enthusiasm'!) We extend our congratulations to our 23 competitors who also achieved above-average ratings. We know how dedicated you have to be in every area of airline operation to gain the confidence of the travelling public. It takes a long time to win, and it can be so easily lost.

We also realise that these competitors will strive their utmost to dislodge us from first place in the years to come. So, for Swissair, the message of this survey is, 'If at first you succeed, try and try again'.

Swissair has obtained the permission to publish this information, which is extracted from an article written by Dr. George Hodel, director-general of the International Travel Research Institute (INTRAMAR), Hong Kong. It first appeared in the December issue of the magazine, 'Airline Business'.

swissair

AMERICAN NEWS

BCCI assets forfeited in US plea bargain deal

By Alan Friedman in New York and **George Graham** in Washington

THE liquidators of the Bank of Credit and Commerce International (BCCI) have agreed to plead guilty to fraud, racketeering and drug money laundering, to pay a $10m fine and to turn over all of BCCI's US assets – totalling $550m – to the US government. This is part of a far-reaching settlement of criminal charges, announced yesterday by officials in New York and Washington.

The plea settlement calls for the $550m of BCCI assets in the US to be liquidated and placed in a special government account, to be administered by the Departments of Treasury and Justice.

Half of the $550m – the largest criminal forfeiture in US history – will be used to cover fines, prosecution expenses and capital injections made by the Federal Deposit Insurance Corporation to two US banks that were illegally controlled by BCCI. These are First American Bank of Washington and Independence Bank of Encinco, California.

The other half will be applied to a Worldwide Victims Fund, used to settle claims from victims of BCCI's criminal conduct outside the US.

Aside from the $550m asset forfeiture, a $10m fine will be paid to New York state and an immediate $5m is to be injected into Independence Bank, said by officials to be in urgent need of the capital.

Mr Robert Morgenthau, federal district attorney for Manhattan, who first brought fraud charges against BCCI on July 29, said that, beyond the guilty pleas and financial terms, the settlement calls for BCCI liquidators to provide full co-operation and to share documents with US prosecutors who are continuing to present evidence to grand juries. Mr Morgenthau and Mr William Barr, US Attorney-General, said more BCCI indictments are expected.

The plea bargain also covers a new federal indictment for racketeering conspiracy filed yesterday against BCCI and associated companies. The new indictment expands on earlier racketeering and conspiracy charges filed against BCCI and some of its officers.

Charges last month accused BCCI of fraudulently taking over Independence Bank in California through nominees. The indictment yesterday levels the same charge at its acquisition of First American Bank in Washington DC and National Bank of Georgia in Atlanta.

The indictment also adds charges of helping the Medellin drug cartel of Colombia to launder money and evade US taxes.

Justice Department officials said the future co-operation agreed with the liquidators of BCCI and associated organisations could take years off the process of bringing criminal charges against individuals involved in the BCCI affair, and enable the Justice Department to bring some charges it would otherwise not have achieved.

"Foreign enforcement jurisdictions have had some concern about providing evidence to us that could be used to take money away from depositors in their countries," said Mr Robert Mueller, assistant attorney-general for the Justice Department's criminal division.

Although Luxembourg authorities have approved the settlement, the government of Abu Dhabi is not a party to it. Officials said they continue to seek the extradition of Mr Swaleh Naqvi, former BCCI chief executive, who is under arrest in Abu Dhabi, and Mr Aga Hasa Abedi, former chairman, who is in Pakistan.

Good news on exports marred by jobless rise

By Michael Prowse in Washington

AN increase in exports in October provided encouraging evidence that US companies remain competitive in world markets, Mr Robert Mosbacher, the US Commerce Secretary claimed yesterday.

The momentum of export growth, however, has slowed in recent months.

Exports rose $1.4bn to $36.7bn, in cash terms the highest total ever recorded. Imports rose by only $1.2bn to $43.5, causing the trade deficit to shrink to $6.7bn compared with $6.9bn in September.

The good news on exports, however, was marred by a larger than expected surge in claims for unemployment insurance in the first week of December, indicating that labour markets are continuing to deteriorate.

Claims jumped 79,000, more than wiping out a 61,000 decline in the previous week which was distorted by the Thanksgiving holiday. Claims are now running at 493,000, well above the level that has previously signalled recession.

The rise in exports last month reflected rises in industrial supplies and materials, consumer goods, vehicles and parts, and capital goods.

In the three months to October, exports were running about 6 per cent higher than in the same period last year. However, they were only 1 per cent higher than in the preceding three months, indicating that export growth is slowing sharply – a reflection of reduced demand in some overseas markets.

Mr Mosbacher drew attention to the strength of manufactured goods this year. In the first 10 months, manufactured exports were 9 per cent higher than in the corresponding period of last year.

He said the trade deficit for the year as a whole was likely to be about $70bn, about a third lower than last year and the smallest shortfall since 1983.

Libya sanctions threat soon

By Lionel Barber, *US Editor, in Washington*

THE US, Britain and France are expected to issue soon public threats of sanctions against Libya, in retaliation for the bombing of Pan Am flight 103 over Lockerbie in Scotland three years ago.

The aim of the sanctions would be to force Colonel Muammer Gadaffi, the Libyan leader, to comply with demands for the extradition of two Libyan intelligence agents indicted in Scotland in connection with the the bombing, according to British and US officials.

The three allies are considering the introduction of a UN Security Council resolution which would set out their demands to impose sanctions such as banning all international flights in and out of Libya, as well as the sale to that country of commerical aeroplanes and spare parts.

Other more severe sanctions, such as a ban on the sale of military goods and "dual-use" technology, as well as a ban on Libyan oil exports, are also under review. A military strike similar to the US raid on Tripoli in 1986, while not ruled out, is viewed as more remote.

The US and Britain have been sounding out members of the UN Security Council to test support for a sanctions resolution. The backing of the council would be a "tremendous asset", especially if it included Arab states, said one British official.

In a joint statement, the two countries called for extradition of the two Libyan agents and compensation for the bombing.

Securing a UN Security Council resolution may prove difficult if China, one of the five permanent members, threatens a veto. US diplomats also view the attitude of Japan, which is to take a seat on the Security Council next year, as critical. "They hate coming down on any side of an issue," said one official.

The states' well running dry

George Graham examines the squeeze on US local finance

SIX WEEKS ago, New Jersey Republicans were elated, having ridden to a crushing victory in the state legislative elections on a wave of voter hostility to higher taxes introduced by Democratic Governor Jim Florio.

Today, they are biting their nails as their ousted Democratic rivals, in their last weeks in office before the new legislature takes over in January, threaten to reverse the $2.8bn of tax increases they voted only last year, leaving the new assembly with a budget problem beyond their worst nightmares.

"The lame-duck session is an opportunity for a great deal of mischief. The Democrats are hurt and they're angry," said Mr David Kehler, president of the Public Affairs Research Institute of New Jersey.

New Jersey is not alone in wrestling with an intractable conflict between voters' fierce antipathy to tax increases and the difficulty of balancing state budgets in a recession.

In Connecticut, Governor Lowell Weicker, an independent, last week vetoed an attempt by the state legislature to reverse the budget package, including, for the first time in Connecticut's history, a tax on salaries, which he had forced through in the summer.

In California, Republican Governor Pete Wilson announced a sweeping plan to slash welfare payments by 25 per cent, in a bid to balance the state's budget.

Recession-hit New England is the region with the worst budget problems, but sunbelt states such as Florida and Texas also face difficulties.

Many states saw their tax revenues decline in the fiscal year that in most cases ended in June. Despite efforts to compensate with tax increases, the current fiscal year is bringing even deeper problems.

"The fragile foundations upon which fiscal year 1992 state budgets [stand] are already showing serious strains due to a sluggish national economy," noted the National Council of State Legislatures.

Governors Weicker, Florio and Wilson: Worrying about taxes and balances

States have faced steadily increasing budget pressures in the 1980s as the federal government has shifted more responsibilities onto their shoulders. Most states had adjusted well, but the recession has brought them to a crisis: the flagging economy has slashed tax revenues and put more people out of work, so increasing the numbers signing up for welfare payments or claiming health benefits under Medicaid for low-income families.

Balanced budget laws apply in most of the 50 states, so deficit financing is not an option.

"Twenty-five states, as well as Puerto Rico and the District of Columbia, were experiencing revenue shortfalls early in the second quarter of fiscal year 1992. In addition, 20 states had begun to experience overruns in Medicaid spending and 17 states report that caseload increases are pushing welfare expenditures above projected levels," the NCSL reports.

Similar problems are hitting other levels of local government. More than 39 per cent of the 443 counties with populations of more than 100,000 said they faced a budget shortfall in the 1991 fiscal year, according to a survey by the National Association of Counties, and 60 per cent are prohibited by law from raising property taxes, their main revenue resource.

For states which raised taxes last year, further increases are an extremely unpalatable option this year, when 12 governorships and more legislatures are up for election.

"There is very little chance that any new dollars will be raised in taxes. We raised $9bn in taxes last time, and there just isn't the will in the legislature to do it again," said Mr Tom Bates, a Democratic legislator in California, a state whose first-quarter tax revenues were already $334m below budget and which faces another $2bn to $3bn tax shortfall this year.

One of the problems for the states is their pattern of tax revenues. Sales taxes and corporate income taxes account for the bulk of revenues in many states, and both have suffered from the recession.

Governor Weicker of Connecticut, in his crusade to introduce a personal income tax to his state, argued that it would be much less vulnerable to recessions, and also less regressive than heavy sales taxes.

Florida, which faces a $622m revenue shortfall this year, would need an amendment to the state constitution to introduce an income tax. Tax-averse Texas seems scarcely more likely to adopt an income tax in the near future, although it managed to balance its two-year $59bn budget for 1992-93 only by resorting to some creative projections for revenue from a new state lottery.

There is also electoral opposition to lower spending but, in general, this has been far outweighed by electoral opposition to higher taxes.

If New Jersey's lame-duck Democrats press ahead with their plan to roll back last year's tax increases, the new Republican legislature will have six months to deal with a difficult dilemma: come up with slashing cuts in spending or pass their own tax increases – unless Governor Florio spares them the choice by vetoing his own party's repeal measures.

Ozone discovery throws scientists into disarray

By John Hunt, Environment Correspondent

SCIENTISTS ARE having to reassess the impact of global warming – the so-called greenhouse effect – becauseof a report by the United Nations Environment Programme (Unep) and the World Meteorological Organisation.

This suggests that the depletion of the stratospheric ozone layer may have a cooling rather than warming affect on the climate.

It has been accepted that the thinning of this protective layer 30km above the earth's surface was an important contributor to global warming – second only to the greenhouse gas carbon dioxide created by burning fossil fuels.

Yesterday Dr Tony Cox, director of atmospheric sciences for the Natural Environment Research Council (Nerc), said the new evidence "makes the issue far more complicated than we thought".

The report of the Unep and WMO is to be published in January but a summary has been seen by members of the United States Environmental Protection Agency.

An agency official said it "turns the science of global climate change on its head".

British scientists take a more cautious view. They point out that any cooling effect of ozone depletion would operate only near the poles.

An international panel of scientists will examine the matter as part of a review of the impact of greenhouse gases to be be published in April.

Venezuela may sell petrochemicals stake

By Joseph Mann in Caracas

VENEZUELA'S national oil company PDVSA is looking at the feasibility of selling up to 51 per cent of shares in Pequiven, its wholly-owned petrochemical subsidiary. Shares would be offered to the public on the Caracas Stock Exchange and on a US exchange.

It also is examining ways to encourage more private investment, especially from abroad, in coal, natural gas and orimulsion, a new fuel made from extra-heavy crude oil and water.

PDVSA already has coal production and marketing agreements with Italy's Agip Coal, and a joint venture with Exxon, Mitsubishi and Shell to produce and sell liquefied natural gas. It also has a joint venture with British Petroleum for international marketing of orimulsion.

However, PDVSA officials warned that the sale of shares in Pequiven is still at the conceptual stage, and that any such initial move would have to be approved by the Ministry of Energy and Mines, then by the Venezuelan Congress.

● VIASA, the Venezuelan international airline, reached agreement on a new labour contract late on Wednesday night with pilots who had been on strike since November 24.

The pilots, whose strike grounded all flights, won a substantial increase in their wage package, but also made concessions to the airline, which was privatised in August and is now controlled by Spain's Ibéria.

The strike was not only a test for Ibéria, but also for the Venezuelan government's privatisation programme. It was not clear whether the company has become able to raise the productivity of its pilots under the two-year agreement.

A suprising gain for the pilots was an annual wage rise linked to a cost of living index.

Higher Brazil taxes after IMF squeeze

By Victoria Griffith in São Paulo

THE Brazilian House of Representatives has approved legislation to raise federal taxes in 1992, in a bid to balance the federal budget and bring inflation under control.

The new law, which would realise up to $12bn in extra revenue next year, is considered fundamental to the success of the country's negotiations with the International Monetary Fund.

The House rejected proposals to place a higher tax burden on upper-income brackets.

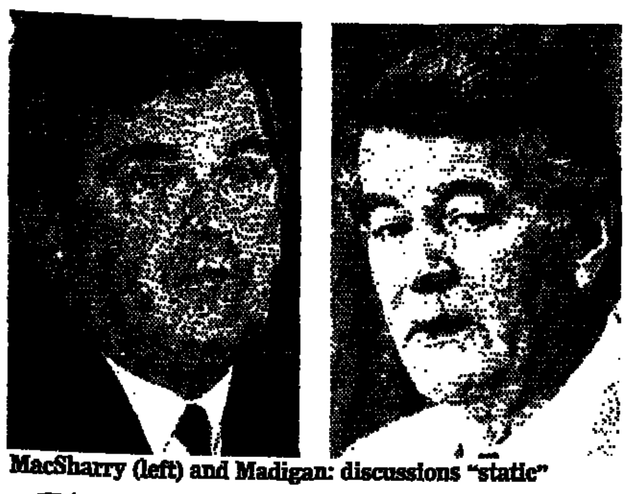
The federal government was forced to make a big concession – the roll-over of $70bn owed by states and cities to the federal government and foreign banks. The goverment maintains one of the biggest obstacles to controlling inflation is spendthrift local government. São Paulo state alone carries about $15bn in debt.

Now, the states and cities will have their debt rescheduled over 20 years, repaying at 6 per cent a year, adjusted for inflation. If the debt has not been fully repaid by the year 2011, the outstanding amount will be rescheduled over another 10 years. The law stipulates that the states and cities will not be allowed to issue new debt until 1998.

The federal government, which guarantees the states' foreign debts, is now to be responsible for the negotiation of their obligations to international banks.

The new law also gives the government the right to issue Treasury bonds to cover payments, which should give it more flexibility in meeting debt obligations. The Senate was expected to approve the law late last night.

● Rio de Janeiro has acknowledged its second victim of cholera, a few weeks after the city recorded its first case of the disease in modern times.



MacSharry (left) and Madigan: discussions "static"

Gatt to deliver draft of final treaty today

By William Dullforce in Geneva and David Gardner in Brussels

THE URUGUAY Round trade negotiations came to a halt in the early hours of yesterday morning, leaving Mr Arthur Dunkel, director general of the General Agreement on Tariffs and Trade (Gatt), 24 hours in which to prepare some 30 final draft texts.

A 500-page "final act" will go to the printers early today and be handed to delegations in the evening for transmission to governments. On January 13, the governments have to send their negotiators back to Geneva, to decide whether or not to accept a package of agreements intended to expand trade, remove current restrictions and reinforce international trading rules.

Mr Dunkel, his aides and the chairmen of seven negotiating groups worked through the day yesterday to formulate credible compromises in sectors such as services, intellectual property rights and anti-dumping as well as in the key matter of farm reform. Without an agreement on agriculture, the whole package will be rejected by the US and other farm-exporting nations.

In Brussels the US and the European Community broke off a 12-hour marathon effort to resolve their differences over how to reduce farm subsidies at 2 am yesterday but planned to reconvene this afternoon. Dutch Prime Minister Ruud Lubbers, current EC president, joined the talks between EC Farm Commissioner Ray MacSharry and US Agriculture Secretary Edward Madigan but with no effect.

An EC official said the discussions had been "static, even going backwards". There had been no narrowing of the gap between positions on the depth of the cuts to be made in subsidised exports. Other issues such as the contents of the "green box" of permitted internal supports to farmers, which had appeared to be close to agreement, had been reopened.

Mr Jacques Delors, President of the EC Commission, said in Paris yesterday that there was a "25 per cent chance" of securing agreement in the US-EC farm discussions. The crucial but elusive trade-off being sought will allow the EC the right to include in the "green box" all direct payments to farmers envisaged in the reform of its common agricultural policy. In return the US would secure the cuts it is seeking in EC subsidised wheat exports and the abandonment of the EC's demand for restrictions on imports of non-grain feedstuffs.

The whole of the EC delegation to the trade talks will fly to Brussels this evening, to take part in the assessment of the draft agreements tabled by Mr Dunkel. The assessment has to be ready for a meeting of EC trade ministers on Monday, which after French insistence it is now agreed can be attended by farm ministers.

Davidoff and Havana resolve cigar dispute

By Frank Gray

DAVIDOFF, the prestigious Swiss-based cigar maker, said yesterday that its two-year-long trade dispute with Cuba had been resolved with a decision by the Cuban tobacco authorities to cease using the Davidoff brand-name for its own cigars. Mr Raymond Scheuer of Davidoff said the dispute had been settled amicably, but declined to elaborate.

The dispute began in 1989 when Davidoff announced it was shifting its cigar manufacturing operations out of Cuba and to the Dominican Republic.

Cubatabaco, the state monopoly, had been in a marketing dispute with Davidoff and, through a Swiss-holding company, had tried to take over Davidoff's retail operations. The takeover bid was refused.

Mr Scheuer said that, under the agreement, there would be no replenishment of Davidoff Havana cigar stocks to the group's international outlets. Existing stocks, of which there is about a year's supply, would gradually be sold and replaced by Davidoff Dominican and other non-Cuban supplies.

The move will affect Hunters and Frankau, which handles a range of Havana imports, including the Davidoff brands.

Job cuts by GM add to US tension with Japan

By Stefan Wagstyl in Tokyo

JAPANESE car makers are bracing themselves for increased political tension over their trade with the US following the announcement that General Motors, the largest American manufacturer, is cutting more than 70,000 jobs.

Japanese companies are concerned that the news will raise the domestic pressure on Mr George Bush, the US president, to take a tough line on trade when he visits Tokyo early next month on his first visit to Japan.

Mr Yutaka Kume, chairman of the Japan Automobile Manufacturers Association, said yesterday he was concerned that the GM decision had been announced just before the president's visit. It could add to the pressure being imposed by the US on Japan.

The chief executives of the big three US car groups will be among 20 top American businessmen who are accompanying the president to Japan. They include Mr Robert Stempel, the GM chairman.

Toyota Motor, Japan's biggest maker, issued a statement wishing GM success in its strategy and expressing concern for the workers who would lose their jobs and for their families.

Three other makers – Nissan Motor, Honda Motor, and Mazda Motor – yesterday announced plans for boosting imports of car parts and local purchasing of components for overseas operations. Toyota unveiled a similar scheme on Wednesday.

Officials said the timing had nothing to do with GM's announcement. But the companies have been under pressure from the Ministry for International Trade and Industry which last month "advised" 40 leading manufacturing companies to prepare measures to boost purchases of foreign-made goods. Miti wants to have the programme ready by the time Mr Bush arrives.

Aside from the car makers, electronics manufacturers have also been prominent among the companies involved in the scheme, which is called Business Global Partnership and is the latest in a line of import-boosting programmes from Miti.

Miti has been stung into action by the sharp rise in Japan's trade surplus from $63bn (£34.6bn) in 1990 to a likely $100bn this year, which has prompted criticism in Washington and in Europe.

The surplus with the US has stayed flat at an annual level of about $40bn, but officials are concerned that a recovery in the US economy next year could lead to a rapid rise in the bilateral surplus – coinciding with the American presidential election campaign.

The "buy foreign" plans announced by the makers set ambitious goals. Toyota intends to raise imports from Y230bn (£983m) in the year to June 1991 to Y400bn in 1994, and local procurement overseas from $3.7bn to $6.3bn. Nissan plans a 150 per cent increase from 1990 levels to $1.23bn, and a 280 per cent rise in local procurement to $5.4bn.

Honda and Mazda propose increases on a similar scale.

Argentina to open car market

ARGENTINA has announced a car import regime that will gradually open its protected domestic market, ending months of wrangling between Argentina's three car companies and the government, writes John Barham in Buenos Aires.

Mr Domingo Cavallo, economy minister, announced that the government would allow 16,000 units to be imported in 1992, equivalent to 8 per cent of domestic output.

Imports will rise gradually to reach 10 per cent of output in 1994.

In a warning to local manufacturers, Mr Cavallo said the quota would be increased if delivery waiting lists extended beyond 90 days.

Argentina has three car manufacturers. They are Autolatina, holding company for Ford and Volkswagen operations in Argentina and Brazil; Sevel which builds Peugeot, Fiat and Citroën cars under licence; and Renault, the French state-owned manufacturer.

Hong Kong companies caught in crossfire

The China-US trade war is fuelling uncertainty in the colony, writes Angus Foster

A WORSENING trade row between the US and China is fuelling uncertainty in a territory which, in most respects, is an innocent bystander: Hong Kong.

After the US announcement last month of a list of Chinese exports worth $1.5bn (£840m) which will face retaliatory tariffs unless China improves its protection of intellectual property rights, two Hong Kong companies with operations in China have postponed plans for a stock market listing. A third, a subcontractor for Teenage Mutant Ninja Turtle toys, says it is looking into alternative production centres in south-east Asia.

Hong Kong fears that the US action, known as a Special 301 investigation under US trade legislation, marks the beginning of an uneasy six months. The Bush administration's decision to extend Most Favoured Nation (MFN) status to China for 1991 has yet to be approved and will be debated in the US Senate early next year; MFN for 1992 will become an issue from May.

The US is also investigating market access in China under another 301 investigation. This runs until October next year but could become linked to MFN. Less importantly, but adding to trade tensions, Chinese companies have been accused of dumping and cheating on textile quotas. Last month, US consumer groups called for a boycott of Chinese-made toys amid claims of child and forced labour.

An unsuccessful outcome to any of these disputes would seriously affect Hong Kong, which in the past 10 years has become closely linked to the economy of southern China. Hong Kong companies, attracted by cheap land and labour, have moved manufacturing and processing across the border. According to Chinese estimates, Hong Kong manufacturers now employ more than 1.5m people in southern China, twice their Hong Kong total.

Hong Kong is the main conduit for China's overseas trade. For example, 70 per cent of China's exports to the US go through Hong Kong.

Calculating the cost to Hong Kong of a breakdown in US-China trade is difficult. But according to some estimates, if China loses MFN status, Hong Kong would lose between HK$7bn and HK$10bn in income, 32,000 to 43,000 jobs, and 1.3 to 1.8 per cent of GDP in the year of MFN withdrawal. If China retaliated against the US, Hong Kong's losses would be multiplied.

But Hong Kong businessmen are not panicking. Mr Jack Lau, managing director of Tomei International, a consumer audio-products maker with 20 per cent of sales in the US, points out that companies have been dealing with uncertainty since the 1989 Tiananmen Square killings.

Many Hong Kong companies, including Tomei, have moved some production to other south-east Asian centres in the past two years, particularly Thailand, Malaysia and Indonesia. But the move is often symbolic to reassure buyers in the US and Europe, and companies remain convinced that southern China is the cheapest and most efficient sourcing centre. Toy and electronics companies moving to Thailand have already had problems with infrastructure and labour.

Smaller Hong Kong companies would be most affected by any US action. Lacking resources to diversify in the region, they have concentrated on southern China. If China lost MFN status, many would be forced out of business.

Moreover, most experts in Hong Kong believe that the Special 301 investigation will be resolved before its January 16 deadline. Hong Kong hopes China realises that its relationship with the US has changed dramatically since the collapse of communism in the Soviet Union and eastern Europe, and that US business is disillusioned with the Chinese market. China is expected to make concessions on intellectual property rights, although probably only at the last moment.

If there is no agreement by the deadline and retaliatory tariffs are imposed, about $400m-worth of Chinese exports are likely to be affected. Damage to Hong Kong will be largely indirect, through lost shipping and handling earnings, because the US will try and target products made by Chinese state-owned exporters rather than Hong Kong or other foreign companies in China.

While Hong Kong expects a short-term resolution of US-China trade frictions, some analysts say businessmen in the colony have missed the implications of US policy shifts. With President Bush urged at home to get tough on China over human rights and weapons sales, trade frictions have become an established feature of the relationship, not a temporary headache.

"I think China's future as a manufacturing base for export to the US is now limited, and that will affect which companies come to Hong Kong," Mr Robert Broadfoot, managing director of P&E Risk Consultancy, says. If the US takes action, "businessmen may see alternatives, and switch, perhaps to Mexico, Vietnam from 1993 or eastern Europe".

Beijing negotiators are prepared for a tough weekend of talks to try to stave off imminent US trade punishment that could cost China's economy dearly, officials said, Reuter reports from Beijing. Western diplomats said the negotiations, which on the US side will be headed by Mr Joseph Massey, assistant trade representative, were China's last chance to avoid punitive tariffs on $750m worth of exports to the US.

Mrs Carla Hills , US trade representative, said on Monday in Washington that she would impose the punishment soon after January 16 if Beijing did not give the US satisfaction. The US wants changes to China's copyright law that came into effect on June 1, and in its patent law and computer software regulations.

Rolls-Royce wins Emirates $500m jet engine order

ROLLS-ROYCE, the UK aero engine maker, yesterday won a $500m (£274.7m) order to power a fleet of Boeing 777s for Emirates, the airline of the United Arab Emirates, writes Daniel Green.

The decision to buy the heavy thrust Trent engine from Rolls-Royce goes some way towards soothing the feelings of the European aerospace industry. Emirates rejected Europe's Airbus aircraft in favour of US-made Boeings in a $2bn order on Wednesday.

It also increases the uncertainty over who will win the race to supply engines for other Boeing 777s.

Rolls-Royce beat US rivals Pratt and Whitney and General Electric (GE), but lost out in another deal yesterday to a consortium of GE and Snecma of France, which is to supply SFr900m (£354.3m) of engines to Swissair and Austrian Airlines.

Swissair ordered 52 CFM56-5B engines from CFM International, a joint venture between GE and Snecma. Austrian Airlines ordered a further 26.

Rolls-Royce said the Austro-Swiss order was "disappointing". City of London analysts said there was now a shrinking market for the medium-haul V2500 engine, supplied by the International Aero Engine consortium which includes Rolls-Royce and Pratt and Whitney of the US.

The Emirates order was for 36 Trent 877 and 884 engines, including eight spares. It boosts confidence in Trent which had been dented by British Airways' decision in August to power its 777s with GE engines.

Both Emirates and Swissair said their decisions were based on commercial considerations, including price.

This is the second order for the Trent/777 combination. The first was from Thai Airways International in September.

UK NEWS

DEFENCE

International missile business at risk, say MPs

By David White, Defence Correspondent

BRITISH INDUSTRY'S *future* in the international missile business may be at risk, MPs warned yesterday.

A House of Commons defence committee report complained of slow progress by the Ministry of Defence in deciding on a new *short-range missile* to equip the Royal Air Force's Harrier and planned European Fighter Aircraft jets.

The order for development and initial production may be worth some £700m. It is considered vital to the guided weapons activities of British Aerospace, whose Advanced Short-Range Air-to-Air Missile (Asraam), using a guidance system by Hughes of the US, is having to compete against two other bids.

These are a version of the French Mica missile proposed *by GEC-Marconi in conjunction* with Matra, and an updated model of the current *US Sidewinder. The committee* said the programme had been "effectively stalled" for the *past two years.*

"Meanwhile, the opportunities for the UK to export an *Asraam-type missile, and this* country's missile development and production capabilities are *in danger of withering away,"* it said. It urged the MoD to take into account in its analysis the impact the contract award would have on UK industry's "ability to develop and build advanced missile systems".

The committee said a contract was not expected until late next year. But the MoD is now understood to be planning an early decision.

The report coincided with *the opening of US-European* contest for a contract reckoned to be worth at least £500m to replace Britain's Bloodhound air-defence missiles.

BAe is bidding against its own European partners by teaming with Raytheon of the *US in promoting the* Patriot missile used in the Gulf war.

BAe's proposal would combine the Patriot with the UK company's own new-generation Rapier 2000 low-level air-defence system. Raytheon would be prime contractor.

This proposal is pitched against a joint bid by GEC-Marconi and Eurosam, a consortium comprising Aérospatiale and Thomson-CSF of France and Alenia of Italy. The weapon proposed by Eurosam, the SAMP-T, is part of a planned new *family* of missiles based *around* a *naval system* in which both BAe and GEC-Marconi are involved as UK *partners.*

Hughes of the US is believed to be competing with a land-*based version of its Advanced* Medium-Range Air-to Air Missile (Amraam), jointly with Sie*mens Plessey Defence Systems* and NFT of Norway.

Bids for the contract were due *in yesterday. A decision* is expected late next year.

The RAF's Bloodhound 2 *missiles, introduced in the* 1960s, were withdrawn from service in July. There is expected to be a gap of at least five years before the replacement is introduced. The competition takes place amid a lively controversy over the degree of success achieved by the Patriot system against Iraqi Scud missiles during the Gulf conflict.

Car output falls on weakening exports

UK car production in November fell heavily by 18.7 per cent, the *fourth* sharp monthly fall in succession writes Kevin Done, Motor *Industry Correspondent.*

Despite the deep recession in the domestic new car market, UK car output was sustained earlier in the year by a big jump in production for export markets. Output has fallen heavily in the last four *months, however, as weakening* demand from export markets has begun to compound the still falling level of production for the domestic market.

On a seasonally adjusted basis car production in the six months to the end of November was 13 per cent lower than in the previous 6 months and 11 per cent lower than in the same *six months* a year ago.

According to figures released yesterday by the Society of Motor Manufacturers and Traders and the Central Statistical Office, car output in *November fell to 115,828 from* 142,417 in the corresponding month a year ago. Production *for export* at 60,337 was 8.5 per cent lower than a year ago, the second successive monthly *year-on-year fall, while output* for the domestic market at 55,486 was 27.4 per cent lower than a year ago.

Unusually in each of the last four months car output for export markets has exceeded production for the severely depressed home market.

In the first 11 months of the year car output has fallen by 3.9 per cent to 1,157,335 from 1,203,777 in the corresponding period of 1990.

This decline masks a 29.4 per cent drop in output for the domestic market to 594,120, while production for export has jumped by 55.8 per cent to 563,215.

EDUCATION

Quarter of seven-year-olds struggle to read

By Andrew Adonis

MORE than a quarter of English seven-year olds have difficulty with reading and basic mathematics, with a significant variation in results between local authorities, the publication of the seven-year-*old test results revealed yester*day.

The results of the tests in English, maths and science conducted this Easter – the first such national figures to be published – divide seven-year-olds into three main groups: *those performing* at the level to be expected of a five or six year old (level 1); those performing as expected (level 2); and those at the level of a typical nine year old (level 3).

Overall, performance in science and English is better than maths. In science, 90 per cent were at level 2 or beyond, with 23 per cent at level 3; in English 78 per cent were at level 2 or beyond, 17 per cent at level 3; while in maths 72 per cent were at level 2 or beyond, with only 6 per cent at level 3. The results also *showed notably* better performance by girls than boys, particularly in English.

Most local education authorities had between 78 and 84 per cent of their pupils at level 2 or *beyond, but there were notable* variations for authorities with not dissimilar social compositions.

The London borough of Brent, for example, had 79 per cent of its children at level 2 or beyond in maths, while the west London borough of Ealing *achieved only 65 per cent.*

The results mean that one in four seven-year-olds cannot distinguish between odd and even numbers or read, write and order numbers up to at least 100; that they cannot demonstrate knowledge of the alphabet, spell simple words correctly or read independently; and that they cannot understand the *notion of* angles, or explain the most commonly-used units of length, capacity, weight and time. In other words, they are functionally illiterate and innumerate, to use educationalists' jargon. Variations within subjects and between local education authorities are striking.

Mr Kenneth Clarke, education secretary, said such variations were unacceptable. "Social and economic factors do not provide the full explanation for the variations. There are some inner-city authorities towards the top of the rankings and some counties towards the bottom", he said.

*Mr Jack Straw, the opposi*tion Labour party's education spokesman, blamed poor levels of achievement on the government. "These results have turned out to be a test of the government's record in education: they've failed badly," he said.

However, Mr Matthew Taylor, Liberal Democrat education spokesman, described them as "common sense", and called for more pre-school education for three and four-year olds.

Mr David Hart, general secretary of the National Association of Head Teachers, said: "The teaching profession will take on board the implications of these results, but it should be praised for ensuring that well over 70 per cent of seven year-olds have reached or surpassed the targets".

English children appear to be well behind their German counterparts in mathematics

German schoolchildren lead the numbers game

By Andrew Adonis

IT IS NOT easy to say how the children tested this year in England compare with their opposite numbers on the Continent because most children in the EC start school a year later.

Nor does any country have a national testing regime to match that developing in England and Wales under the national curriculum.

Even so, studies in the mid- and late-1980s by Mr Sig Prais, of the National Institute of Economic and Social Research, comparing performances in England and *Germany found* the English to be particularly weak in mathematics.

This is the area producing the poorest results among sev*en-year-olds in this year's* tests.

Examining the performance of *15-year-olds* in *the lower* half of the ability range in the two countries, Mr Prais found:

- 66 per cent of German pupils were correctly able to solve 389.59 – 83.64 + 529.5 – 712 = ?, while only 4 per cent of pupils in England got *the right answer to 2.6 – 4.12* + 6.3 – 0.44 = ?
- 59 per cent of German *pupils solved 543.75 ÷ 12.5 =* ?, while only 10 per cent of pupils in England correctly answered *40 ÷ 0.8 = ?*

Since this year's tests *found* 27 per cent of seven-year-olds incapable of knowing and using addition and subtraction up to the figure of 10, that ought not to be surprising.

A recent report by Her Majesty's *Inspectorate on French* primary education found whole-class teaching with *blackboards to be general in* maths classes, with each child having a small slate on which to write answers. No "progressive" methods there.

MAASTRICHT DEBATE

Hurd defends Lamont over currency issue

By Ivor Owen, Parliamentary Correspondent

Mr Douglas Hurd, the foriegn secretary, last night defended the refusal of Mr Norman Lamont, the chancellor of the exchequer, to say when he thought it would be in Britain's interest to stay out of a single European currency, even if criteria on convergence had been achieved.

He argued that the economic and political arguments likely to be relevant in 1996, or whenever the decision had to be taken, could not be foreseen at the present time.

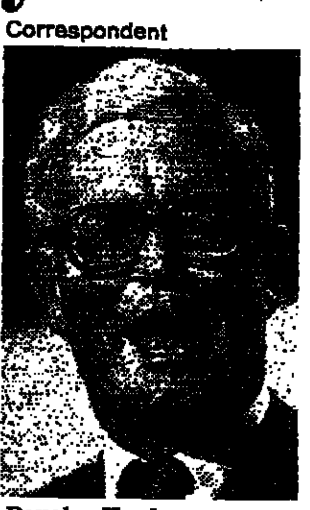
Mr Hurd insisted the challenge by Mr Kinnock, the Labour leader, on the issue on Wednesday made "no sense".

Opening the second day's debate on the outcome of the EC summit at Maastricht, he praised the "remarkable negotiating achievement" of Mr John Major, the prime minister, and the chancellor in securing a full part for Britain in shaping the future of economic and monetary union.

They had also preserved, he said, the freedom of Britain's government and parliament to decide "when the right moment comes" whether to take part or not.

Mr Hurd described the agreements reached on foreign and security policy as satisfactory, and denied that any issue of principle had been involved in the differences with Germany over the recognition of Croatia following the break-up of Yugoslavia.

The argument had been about "timing" and the compromise which was reached had not involved the use of qualified majority voting.


Douglas Hurd

Underlining the difficulties encountered at Maastricht, he said it was not until "late" on the final day of the negotiations that he felt confident that agreement would be reached.

Mr Hurd brushed aside the decision of Mr Norman Tebbit, the former Conservative party chairman, to vote against the government at the end of the debate and announcements by other Tory backbenchers that they would abstain.

He forecast the government would win "a good majority".

A different verdict on the summit was given by Mr Gerald Kaufman, shadow foreign secretary, who maintained that "on issue after issue" the prime minister had failed to achieve his negotiating objectives.

Television franchise losers fail in court bid

By Robert Rice, Legal Correspondent

TWO of the losers in October's auction of UK television broadcasting franchises last night failed in their attempt to get a judicial review of the decision to award the licences to other bidders.

Lord Donaldson, Master of the Rolls, rejected the applications of TVS, the incumbent licence holder for south and south-east England and of TVNi an unsuccessful bidder for the Northern Ireland franchise on the basis that they had delayed too long before deciding to challenge the Independent Television Commission's decision.

In theory the law gives them until January 16 – three months from the date of the original ITC decision – in which to mount a legal challenge.

TSW, which lost its licence for south west England despite outbidding the eventual winner Westcountry TV, has already been granted leave to bring a judicial review by the Appeal Court.

Lord Donaldson will hear the TSW case in the week beginning January 20.

But he said yesterday the circumstances of the TVS and TVNi cases were different from those of TSW. TSW had announced early on that it intended to challenge the franchise decision in the courts and as a result no licence had yet been granted to the winner of the south-west franchise.

TVS and TVNi on the other hand had not indicated they intended to challenge the decision in the courts – TVNi had actually said there would not be a challenge – and as a result new licences had now been issued.

COLLAPSE OF BCCI

Call to reopen inquiry into money brokers

By Simon London

A COMMITTEE of MPs said yesterday that fresh evidence had "invalidated" the Bank of England's earlier conclusion that there was no misconduct by money brokers who placed local authority funds with the Bank of Credit and Commerce International

The Treasury select committee, which is investigating the losses suffered by the authorities following the collapse of BCCI, called on the Bank to reopen its inquiry into the conduct of the firms.

The Bank of England is not alone in facing implied criticism in the first parliamentary report on the collapse. Local authority officials, government policy and Whitehall departments are also criticised.

Written and oral evidence presented to the committee by the Western Isles Council, which suffered the biggest loss, and by R.P. Martin, the money broker which acted as intermediary for half the local authority deposits with the bank, led it to believe that misconduct may have occurred.

In its report released yesterday, the committee also calls on the Bank of England to re-draft the London Code of Conduct, which governs the activities of participants in the money market.

It says the code should be "rewritten more precisely so the current opportunities for misunderstanding are removed", adding that the committee has "yet to reach a conclusion on the Bank of England's conduct of it's supervisory duties". This will be the subject of further investigations.

The Bank of England said yesterday it was "carefully considering" the recommendations. It can withdraw a firm's licence to operate as a money broker if it decides that the code of conduct has been breached.

The report also comments that:

- Local authority officials should have appreciated their duty to ensure the creditworthiness of banks with which they placed deposits, instead of relying on brokers.
- "On-lending", the practice of borrowing money to deposit at a higher rate for profit, should not be carried out by local authorities. Of the £23m deposited with BCCI by the Western Isles, £16.5m was borrowed in excess of spending requirements.
- Government policy should be changed so that local authorities do not have to manage large cash surpluses.

US settlement: Page 6

British Gas agrees to halve share of industrial market

By Deborah Hargreaves

BRITISH GAS, the privatised power company, was heading for another row with its regulator last night over an agreement it reached earlier in the day with the Office of Fair Trading to halve its share of the industrial gas market by 1995.

The OFT has been pressing British Gas to make substantial changes to its business in a move to encourage more competition in the UK gas market.

Mr Robert Evans, British Gas chairman, said the deal with the OFT, which also involves hiving off its pipeline and storage system into a separate company within the group, was conditional on the regulator making changes to a new pricing formula for domestic customers which was signed earlier this week.

Ofgas, the industry regulator, said last night the new pricing formula, limiting domestic price rises to five percentage points below the rate of inflation for the next five years, had become law and British Gas had to comply with it.

Mr Evans said: "We are not prepared to accept the domestic tariff formula as it now stands, as well as agree to these OFT proposals. I have stressed to Sir Gordon Borrie (director general of fair trading) and to government ministers that this is a complete package and cannot be separated."

The OFT said British Gas's conditions were "alien" to anything it had discussed with the company, and were "totally unacceptable".

If British Gas refuses to stick to the domestic pricing formula, it could face a reference to the Monopolies and Mergers Commission by the regulator. Mr Evans was specifically trying to avoid that as British Gas fears that an MMC investigation, which could take up to a year, would create too much uncertainty for the company.

Mr Evans said yesterday British Gas had seen the OFT's report as a "low blow". "Our agreement to the OFT recommendations is at best reluctant as it relates to proposals that are not altogether in the best interests of our 18m customers."

British Gas has agreed to cut its 90-per cent share of the industrial market to 40 per cent by 1995.

It will do this by releasing 500m therms of gas – eight per cent of the 7-bn-therm market – to competitors in the year from October next year.

Details of the scheme will be worked out in January between British Gas and the regulator, but they are likely to take the form of a supply auction.

The City believes the cut in British Gas' market share wil have only a small impact on the company's profitability. One analyst estimated that its profits could drop by £150m in 1995 – out of total profits of close to £2bn.

Lex, Page 16

Tax moves may help boost house market

By Ralph Atkins and David Barchard

THE GOVERNMENT acted yesterday to kick-start the housing market by abolishing stamp duty until next August for most house sales.

The move, which would save the average housebuyer several hundred pounds, appeared designed to boost Conservative electoral fortunes ahead of the general election.

The first significant tax change outside a budget in 12 years of Tory government was announced by Mr Norman Lamont, the chancellor of the exchequer, alongside measures agreed with mortgage lenders to engineer a "decisive fall" in the number of evictions.

At the same time, mortgage lenders, including some of the banks, have put up £750m in special schemes to help hard-hit borrowers.

Mr Peter Birch, chairman of the Council of Mortgage Lenders, whose representatives met the government yesterday for the third time this week, said the package would greatly assist recovery of themarket.

The funding will go to help borrowers remain in their homes under two types of scheme. Homes will either be bought by housing associations or directly by the lenders, with the householders becoming tenants, though in some cases they might retain part of the equity. Local authorities are expected to have to pay out about £50m extra in housing benefit.

Ministers are also to introduce legislation making it the norm for income support cover for mortgage interest to be made direct to the lender.

Lenders have pledged that they will not repossess homes where borrowers are making reasonable regular payments. This could be as low as a third of their usual monthly payments. The package betrayed ministerial fears over the rising tide of evictions and the prospect of a flat housing market stalling a recovery in consumer spending.

Joe Rogaly, Page 15
Lex, Page 16

BRITAIN IN BRIEF

Manchester plans £100m new runway

A £100m plan for a second runway at Manchester Airport was announced yesterday. The airport's board said the 9,000ft runway and a 2,000ft extension to the existing one were vital to the region's economy and would create 50,000 jobs. Opponents said the scheme would bring chaos and vowed to fight it "with every legal means available".

Ulster forum on the future

An independent commission has been established with a £250,000 budget to assess possible future scenarios for Northern Ireland. "Initiative '92" is supported by local industrialists, religious leaders, academics and victims of terrorism. The Northern Ireland Office said it welcomed any initiative which promoted discussion. Financial backers include the Joseph Rowntree Charitable Trust. It has been set up independently of the British and Irish government and Unionist or nationalist politicians but it has not ruled out taking evidence from politicians before publishing a report.

Scotland first with bank code

Bank of Scotland has become the first UK bank to publish a Code of Banking Practice which will apply to all its customers. The code contains safeguards for bank customers which go well beyond the minimum standards agreed for the industry this autumn. The new code comes less than a week after the British Bankers Association published a code providing guidelines for bank-customer relations which took nearly two years to prepare.

Edington bank payments out

The first payouts to depositors caught in the collapse of the Edington merchant bank in Manchester in April are being sent out this week by KPMG Peat Marwick, the bank's administrator. Depositors are getting 50 per cent of their money back now, with a prediction of another 40p in the pound over the next two years. Edington, the merchant-banking arm of Henry Cooke, the Manchester-based stockbroking and financial services group, was forced into administration after several local authorities declined to put funds back on deposit shortly after withdrawing them to balance their year-end accounts, as was previously normal.

Recovery in Scotland late

Economic recovery in Scotland will be very sluggish with little evidence of improvement until well into 1992, according to the latest Fraser of Allander Institute quarterly economic survey. It says the most intriguing feature of the recession has been the difference between the behaviour of the Scottish and UK economies. In September 1989 the Scottish jobless rate was more than one and a half times that of Great Britain. By October the differential had narrowed and in the last four months Scotland's seasonally adjusted jobless figure actually fell as the UK figure continued to rise.

Banks guilty over care

Britain's banks have been guilty of high-handed behaviour in their treatment of business customers and of delivering an unacceptable level of customer care according to Sir Peter Walters, chairman of Midland Bank.

Sponsorship for sport

The government has announced a £3m business sponsorship incentive scheme to attract companies into sports sponsorship for the first time, with the promise of pound-for-pound government funding for areas such as inner city sport and sport for young people.

Poor month for unit trusts

Unit trusts had a poor month in November, with net sales falling to £59.4m, the second lowest monthly figure this year. A fall in world stock markets meant that total funds under management dropped to £55.9bn, from £58.5bn at the end of October. The total number of unit holder accounts also fell, to 4.46m. The Unit Trust Association said that the BT share issue may have played a part in diverting funds from the industry. A campaign to persuade investors to switch their BT shares into unit trusts was recently launched by the UTA. Gross sales for the month were £691m and repurchases were £631.6m.

Town Hall pay suffers

Local government workers and civil servants have fared significantly worse in pay rises than other public sector workers in the lifetime of the current parliament, according to an analysis published by the Public Finance Foundation. Between 1988 and 1992 the pay of local government workers and civil servants has risen by about 34 per cent, whereas police have enjoyed 40 per cent increases, armed forces 42 per cent, and health and education 38 per cent. The public service average is 37 per cent, against the private sector's 40 per cent.

Eurotunnel 'not obstructed'

A House of Commons committee has emphatically rejected complaints from Eurotunnel, the Channel tunnel operator, that its commercial prospects are being compromised by bureaucratic interference. The committee found there was no evidence that public authorities responsible for the tunnel were guilty of obstructiveness in vetting Eurotunnel's plans. In a report on tunnel safety which calls for a stringent policing regime, the committee backs the high standards being set by the official Safety Authority.

Welsh accounts qualified

An unauthorised payment of £15,563 to the former chief executive of the Development Board of Rural Wales in compensation for unpaid leave has led to the board's 1990-91 accounts being qualified. The payment to Dr Iain Skewis, who took early retirement in December last year, was not approved by either the Welsh Office or the Treasury, said Sir John Bourn, the comptroller and auditor general. He also qualified, for the third year running, the accounts of the government's social fund, which makes loans to benefit claimants.

River safety to be reviewed

The Department of Transport's handling of river safety in the light of the Marchioness pleasureboat disaster on the Thames in London in 1989 is to be the subject of an independent investigation. Mr Malcolm Rifkind, transport secretary, said the inquiry would examine the department's handling since 1980 "'of its responsibility for the safety of vessels on rivers and inland waters". It would also "report on the effectiveness of the present approach and take account of developments in the field of marine safety at the international level". The disaster claimed 51 lives when the dredger Bowbelle collided with the Marchioness.

Asian cable TV to be launched

The first European cable television channel aimed at Asian people is to be launched in Britain. TV Asia will offer entertainment and films in languages for Indians, Pakistanis, Bangladeshis and Sri Lankans. Broadcasts will start on January 1 on Coventry's cable network.

MANAGEMENT

The stamp of anonymity

Lucy Kellaway meets Sir Christopher Hogg in a room free of personal touches

MY OFFICE

Sir Christopher Hogg does his own filing, writes his own letters and keeps his own appointments in a month-at-a-glance *pocket diary*. He travels light. When he left his small office at Courtaulds in September for an even smaller one at Reuters, his only luggage was a foot of filing and three shelves of management books.

"The most used thing in the office is the bin," he says pointing at a functional metal dustbin with a plastic bag lining. "I am ruthless about *throwing things out*."

Sir Christopher's office is tidy to the point of being unlived in. As part-time chairman, he spends only three days a week in the rambling Fleet Street building. The rest of his time is spent on the business of Courtaulds and Courtaulds Textiles, where he is non-executive chairman.

There is a slight sense of a man displaced, exaggerated by his insistence that the non-executive chairman must keep out of the way of men running the show. Indeed, before he installed himself at Reuters, he made a point of consulting *each of the managing directors first.*

"There are one or two things I could do to be useful here," he says with a *modesty that sounds wrong* on the lips of one of the most successful managers in Britain. Those things include being a pivot between the executive and the non-executive directors and acting as the eyes and ears of the company in the outside world.

"Hair-shirt Hogg" as he is sometimes known, has made no attempt to prettify his new office. A Welsh tapestry that was the sole decoration at Courtaulds, has *not* been transferred. Instead he seems quite happy with a room scarcely more *than* 10 feet square, furnished in a combination of non-matching styles.

Heavy orange-tinted wood panelling and highly varnished oil paintings strike an odd note with the aluminium double glazing, the functional black coat rack and modern filing cabinet. Two over-stuffed blue silk armchairs squeezed around a glass coffee table look as though they *have never* been sat on. Sir Christopher spends all his time at his desk, a modern affair with draws, pushed up into a corner.

Sir Christopher will not be drawn into any criticism of his office. "I think it is very nice. It is much smaller than the executive directors, but I don't give a damn," he says.

If he has any complaints, it is that he doesn't really like being shut away in a *smart directors' suite at* all. "I like light and air, an open door, wandering around all the time, and always in shirt sleeves.

"This," he says gesturing to the office, "isn't typical Chris Hogg at all".

Also untypical of him is the computer on his desk, which he has for the sole purpose of getting to know Reuters products. "I am sceptical *about people having terminals in* their offices. My job is to take a global view on companies and their strategies, and for that I need my brains, a decent filing system, books, conversations with people, and above all the telephone.

"I spend a lot of time talking to people – to suppliers, customers, to others in the industry, to the Great and Good. I want to see Reuters as the people who deal with it see it."

Rather than sit in his own office, Sir Christopher would much rather go and see people in theirs. He reckons that *not* only are they more at ease, but that the office itself is revealing. "I look for size, functionality. I'm sensing formality versus informality: money spent versus value for money."

The main clue in Sir Christopher's office is his bookcase. This contains an impressive *collection* of management classics, all well thumbed. Half a dozen volumes of Harvard Business School text books, John Harvey-Jones, Tom Peters, Michael Porter, *lots of books* about Japan. "My all time favourite is Robert Townsend's 'Up the Organisation'. Then you have to have a couple of Druckers. You have to have 'Small is Beautiful'".

Another clue comes from his support staff. "I've never understood how anyone could *have two* secretaries – I've always shared one," he says. Her main job is to protect him from unnecessary interruptions and to make his travel plans. She might type a *letter* for him once a fortnight. "By the time I've called her in, dictated the letter and she's typed it, it is quicker to do it myself."

As he works in three jobs, the most important things are his brief case, and more recently, his pager. The neat black brief case contains a series of papers in coloured plastic folders. "You have to be tidy. I'm much better now, but once a week I still say 'Bother, I've left that in the other place'".

His pager *makes him* even more enthusiastic. "I hate to give an ad for British Telecom, but this thing costs *just* £33 a quarter. You don't have to tell people where you are – you are released from all that hassle."

Trevor Humphries

Sir Christopher Hogg: "The most useful thing in the office is the bin. I am ruthless about throwing things out"

Morale is the main issue

By Paul Taylor

British companies must do more to restore and improve morale and employee satisfaction if they are to sustain a competitive edge, a study *from* International Survey Research suggests.

ISR, an international consulting organisation *specialising in the design and* implementation of employee attitude surveys, argues that employee satisfaction will be the competitive weapon of the 1990s *and* that company objectives like improving product quality and customer service "can only be achieved through the committed efforts of a motivated workforce".

The latest research shows that while British companies have *begun to* reverse a downward spiral in employee satisfaction which began in the late 1980s, they still have a long way to go.

ISR's data shows that between 1977 and 1987, significant progress was made in improving employee satisfaction levels in the UK. In particular, reactions to *company management* and to compensation improved markedly. However, in 1988 there was a steep decline *in* morale which continued in 1989 and showed no sign of abating in 1990. As a result, ISR's employee satisfaction measures sank back to their levels of the late 70s.

But this year, based on 140,000 employees surveyed in the UK, ISR said there was some evidence that this *decline had halted as some* managements bucked the recession to boost morale.

Employee attitudes towards communications and job security continued to decline – only 38 per cent said they were satisfied with internal communications compared with a peak of 44 per cent in 1987, and 61 per cent with job *security compared with* 78 per cent in 1987. Perceptions of working relationships showed a significant negative trend for the first time.

However reactions towards work organisation, company management, immediate boss, performance appraisal, career development and job satisfaction all stabilised.

The fatigue syndrome

John Griffiths on pressures in the Japanese motor industry

Japanese car makers are suffering from labour shortages and what amounts to "a cultural revolution" in their factories. So says Dan Jones, co-author of "The Machine That Changed the World", the book on "lean" production published a year ago.

Now Jones says there are new pressures building, and that younger Japanese workers *in the industry are starting to* display what he calls "fatigue with manufacturing" syndrome.

With 50,000 Japanese returning from assignments overseas each year, it is no longer possible to prevent western attitudes towards work and "quality of life" permeating Japan's offices and factories.

In the past, those returning could be accommodated in an "international division" with relatively loose ties to the rest of the business. "But there are too many now – and they simply won't put up with the old ways of just living to work," says Jones.

However, he warns that western producers should not expect Japanese car makers to become less competitive as a result. On the contrary, Japanese plants are moving on to a new stage of productivity improvements – by introducing even higher levels of automation to complement lean production techniques.

Lean production has been dependent on the efficient organisation of teams of multi-skilled workers at all levels of the company, and on highly flexible machines to produce *lower volumes of products in* great variety.

The Massachusetts Institute *of Technology coined the term* "lean" production because the system uses less of everything: "half the human effort in the factory, half the manufacturing space, half the investment in tools, half the engineering hours to develop a new product in half the time".

This does not mean, says Jones, that the Japanese have *any intention of reducing their* own flexibility by introducing automation on a monolithic scale – "they are perfectly well aware that "blockbuster" automation is a roadblock, as *some western companies have* already found out. Instead, the Japanese are using automation *to help people perform their* jobs better".

He points to Fiat's Cassino plant, producing the Tipo and Tempra, as possibly the most automated in the world – but as not providing Fiat with its hoped-for counter to Japanese manufacturing competitiveness and flexibility. "You need to sort the organisation of your *people out first," he insists.*

Implicit in his remarks is that, once again, the industries of the west will be reacting to another Japanese initiative in *an attempt to stay in the car* development and manufacturing race. Are they destined, in the end, to fail? Jones' highest hopes appear based on the German industry.

He acknowledges that Mercedes' initial reaction to the *MIT book was "horror", particularly* over a section describing an (unnamed) German luxury *car maker as spending as* much effort rectifying cars as Japanese spent building them.

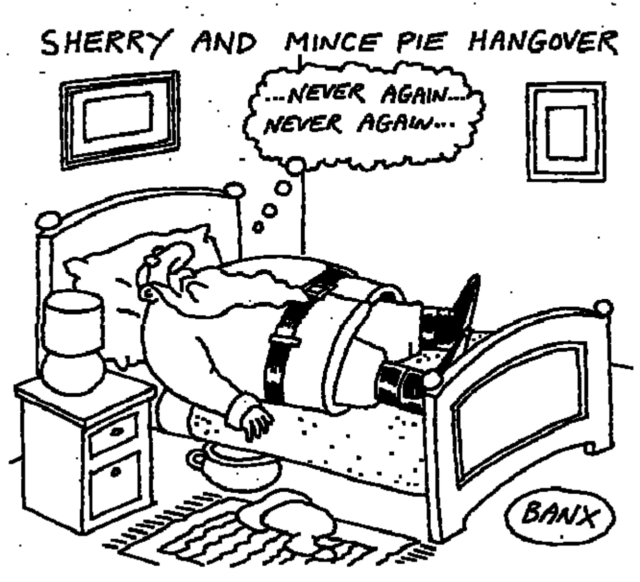
Nevertheless, says Jones, "there is strength in the German industry. They might never take the lead but they could give the Japanese a run for their money. They could take a lot of cost out. The Germans have also got the salutary *example of (high Japanese* market penetration) the US to go by."

On the line at the Toyota plant in Nagoya

Ashley Ashwood

The morning after the night before

Paul Abrahams offers advice for those trying to cope with seasonal over-indulgence



Collateral damage from the office party has been significant. Movement could be terminal. You swear – yet again – you'll never drink again. Anyway, what exactly did happen after the mistletoe incident?

It's that hangover time of the year. More than 40 per cent of all alcohol sold in the UK is shipped during the last quarter of the year – the season of goodwill and excessive alcohol. And surprise, surprise, 40 per cent of all hangover remedies are sold in the four weeks around Christmas.

Hangovers have been around as long as alcohol. So, too, have attempts to find a cure. The Egyptians reckoned cabbage was the answer while the Greeks consumed parsley. The Romans went for owlets' eyes and sheep lungs.

Prevention is, of course, better than cure. The best, though least popular method of prevention, is undoubtedly abstinence.

Lining the stomach before over-indulgence is also supposed to work. My great uncle Adolphe, swore that a cup of olive oil more or less sealed the stomach-lining from any subsequent alcohol intake. He lived to a reasonably old age. Milk or a light snack is supposed to have the same effect.

The problem is that it is far from clear what happens once those seasonal gin and tonics have by-passed the olive oil and hit the bloodstream. There has been surprisingly little academic research on the immediate effects of alcohol on the body, according to Dr Sandra Savage, medical controller at Sterling Health.

What is known is that alcohol is a depressant – drink enough and it will depress the central nervous system enough to make you stop breathing. Alcohol also irritates the stomach lining, causing inflammation and that unpleasant nausea that accompanies over-indulgence.

However, other effects are not caused by alcohol. All drinks contain toxins and other colourings and flavourings which may do as much damage as the alcohol itself.

Drinks with the worst chemicals include red wine, brandy and whisky – hence their reputations for engendering the worst hangovers. The purest alcohols are vodka and gin.

Ironically, low-alcohol and non-alcoholic beers may also create hangovers, because of the chemicals other than alcohol that they contain, according to Savage. Clearly there is no justice in the world.

Those trying to minimise the risk by mixing water with their whisky may be doing more harm than good. Once diluted, alcohol is actually absorbed into the body more quickly, she explains.

Finally, body size is an important determinant in gauging the effect of alcohol. It may not be that you've consumed too much alcohol, just that your body's too small.

Given that it remains uncertain how drinking alcohol actually causes hangovers – only that it does – what, then, are the best methods of getting rid of them? Research in to the best cure for hangovers was recently conducted among 200-odd FT journalists – who better qualified? Remedies offered included:

- Drink as much water as you can with an analgesic.
- Drink tea or coffee sweetened with honey.
- Take tomato juice, raw egg and Worcestershire sauce followed by a cold shower.
- Eat a substantial 'fry-up' – fried bread, eggs, sausages, black and white pudding and grilled tomatoes.
- Drink a Glaswegian hangover cure involving Irn Bru (a Scottish beverage) topped up with raw egg, Tabasco, salt and pepper.

However, Savage says there is no evidence that sugar or carbohydrates help hangovers. Similarly, the benefits of vitamin B and C are unproven, at best anecdotal.

The other alternative is to take products such as Alka-Seltzer, Andrew's Answer, Eno or Resolve. Most of these contain an analgesic (aspirin or paracetamol), an anti-acid to settle the stomach and various other substances ranging from sodium bicarbonate to vitamin C and glucose.

Of course, the best way to avoid the whole business is to practice moderation. That way, you might just remember what happened under the mistletoe.

Game Boy's high score

Della Bradshaw goes shopping for gifts for high-tech children


Colin Beere
Games galore at Hamleys in London's Regent Street

What do you buy for high-tech children this Christmas? In Hamleys, the up-market toy store in London's Regent Street, one item has proven particularly popular: the Nintendo Game Boy.

The sleek, black hand-held unit with monochrome screen and an array of buttons enable the game hero to run forwards, backwards and leap around.

The cult status of one such hero, Super Mario, the adventurous Brooklyn plumber, has boosted the electronic game to the number one slot, ahead of rival Japanese manufacturer Sega, says Peter Skinner, marketing manager at Hamleys.

Sega has been slow in gaining ground on Nintendo with its hand-held unit, Game Gear, in spite of its own cheeky character, Sonic the hedgehog. "Somehow Sonic has not caught on," muses Skinner. "But in many ways he is a more endearing character (than Mario)."

Skinner attributes the popularity of the Nintendo system to its established position on the market. For some, price might also play a part: the Game Boy retails at £79.99 including one game, Tetris, a shapes puzzle; the Game Gear, packaged with a similar game, costs £109.99.

One hundred pounds, it appears, is not too much for parents to spend these days. "The Game Boy is the sort of thing a parent might be persuaded to buy," points out Skinner. Grandparents, on the other hand, appear to be easily "persuaded" to buy the £25 games to accompany the machine.

For retailers, Game Boy's success of is good news. Not only does it fuel the games market but, because it is a high price-ticket item, it is also providing healthy revenues.

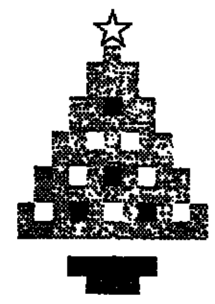
Surprisingly, however, the Japanese grip on the kiddy computer market does not extend as far as the younger child. A North Yorkshire company, Grandstand, makes a range of emerald and white plastic computers which look just like the one mummy or daddy brings back from the office.

Proving particularly popular in Hamleys is Grandstand's Laptop Computer, intended for children aged seven and over and retailing at £79.99. Nine double-sided mini discs, covering 18 different subjects, can be slotted into the machine to help with such educational pursuits as counting and spelling.

Staff at Hamleys report that they needed over 430 "laptops" delivered in a week to cope with demand.

"There's a lot of talk among parents of younger children about buying toys with an educational value," points out Skinner.

Such interest in educational toys has extended electronics to even the tiniest of tots. As well as the talking dolly and teddy bear, this year has seen the electronic story book, intended for those as young as one year old, and retailing at £10.99. A strip of pictures down the right hand side of the page make appropriate sounds when pushed at the right section of the story. A circus story could be enlivened by a laughing clown, for example, or even a roaring lion.



WORTH WATCHING
by Della Bradshaw

Video recording by numbers

IT is an anomaly of Christmas that all the best television programmes are screened when would-be viewers are merrymaking. Hence the video recorder comes into its own – at least for those that are sober and technically articulate enough to record the right programmes.

For those that are not, the answer could be a remote control device which automatically programs the VCR by tapping in a string of numbers found next to programme information in most daily newspapers.

The VideoPlus, which has been available in the the US and Canada for several years but went on sale in the UK this month, through Video Technology Marketing, of London, can be used with most types of VCRs (Philips and Ferguson are two exceptions, although the manufacturer, Gemstar Development Corporation, of Pasadena, California, plans to rectify that in the New Year). By opening a flap on the hand-held unit, the new gadget can be programmed to operate with each particular VCR.

When the user wants to record a programme, he or she looks up the code number in the newspaper or magazine, taps it into the unit and then presses one of three buttons to determine whether the programme is recorded once or on a daily or weekly basis.

Computer games in the office

AS EVERYONE knows, it is not just kids who love to play computer games, writes Emiko Terazono. In Japan, salary men – office workers – have found a way to make use of use their generally unused word processors: a mahjong software game which can be played on the office word processor.

The software, designed by Ascii, the Japanese software maker, is manufactured by Toshiba, Matsushita Electric Industrial, Canon and Fujitsu, to be played on word processors made by each of the four companies.

The player competes against three other computer opponents and there are 20 skill levels to choose from.

Although Ascii assumes the diligent salarymen will only play the game during lunch hours, the company acknowledges that some may play during work hours.

Garbage in, poetry out

IT'S more blessed to give than receive, they say. So what better gift for the literary-minded than a £69.95 quote retrieval software package which can run on an Apple Macintosh or IBM compatible personal computer.

Intended to enliven the most dismal speech or dullest article, the Quotemaster Plus was developed in the US by Penncomp Software Development, of Houston, Texas. A UK version, with an improved supply of local quotations is being sold by Guildsoft, of Plymouth.

To use the software the writer can search by either a single keyword or by category – words such as riches, success and wealth might all be found under a "money" category, for example. Historians could also retrieve all the quotations made on certain dates – in 1861, say. Aspiring authors can also feed in (and index) their own quotes for retrieval.

Keeping within safe limits

IT may not be the perfect personal Christmas present but the Safeguard 6000 could save a few driving licences.

Developed by Safeguard, of Long Island, New York, the machine is a coin-operated alcohol breathalyser machine which is now being installed in pubs and clubs in the UK by the Alcohol Breathalyser Company, of west London.

The Safeguard 6000 requires the prospective driver to blow through a straw into the brightly coloured machine. A sensor inside measures the breath alcohol levels and the reading is analysed by computer.

An exact reading of the alcohol level is produced in seconds and displayed next to the legal limit – in the UK this is 35 microgrammes of alcohol per 100 millilitres of breath. A computerised voice also announces the results.

Users are also classified into four categories: no alcohol, moderate levels, impaired and legally intoxicated. The company claims the machine is accurate to within two per cent.

Matsushita bangs the bongo drum

JAPANESE salarymen can now earn extra points during the year-end karaoke parties by cheering the bosses on with Bongo-Bongo, Matsushita Industrial's electronic synthetic drum, writes Emiko Terazono.

A small tap on the drum pad can produce 18 different sounds on Bongo-Bongo, which is the size of a small saucepan. It sends out sound modes such as latin, pop, rock and outdoor sounds, such as birds and water. Sound patterns can also be recorded and played back at different tempos.

Matsushita has also introduced Shake Shake, an electric maracas, which reproduces sounds of the maracas, bells, and full orchestra, harps and a whistle.

CD cases have got it covered

A STOCKING filler for those compact disc enthusiasts who are fed up with cracked, rigid plastic disc cases could be a cardboard box replacement.

The cases are already being used by record companies because the cardboard enables them to produce covers with similar graphics to those that used to appear on long-playing records.

Tinsley Robor, of Chichester, West Sussex, under license from AGI, of the US, is manufacturing the brightly-coloured boxes, each with a strong, plastic disc tray, to be sold empty in packs of five.

Contacts: Gemstar: US, 818 792 5700. Video Technology Marketing: UK, 081 748 5373. Toshiba: Japan, 3 3457 2105. Canon, Japan, 3 3348 2121. Fujitsu: Japan 3 3216 7952. Guildsoft: UK, 0752 606200. Alcohol Breathalyser Company, UK, 081 740 8703. Matsushita: Japan, 3 3578 1237. Tinsley Robor: UK, 0243 774 000.

THE PROPERTY MARKET

O little town of Bethlehem
You're vastly o'er supplied
Air con'd full serviced property
Is going for a dive
No hope of reaching asking rents
Your banks are sore perplexed
The hopes and tears of this past year
Are nothing to what's next

A year of living on the edge

By Vanessa Houlder

Thus County NatWest heralded 1991, providing a rare note of humour in a memorably mirthless year. Its downbeat message proved justified. By the year end, average property values had fallen by some 12 per cent and property shares, which had been in a downward spiral for two years, had fallen by a further 16 per cent.

The year opened with the threat of war, receiverships and redundancies overhanging the industry. Never, it seemed, had the market faced such uncertainty. Some property analysts admitted that their forecasts of write-downs and asset values were little more than stabs in the dark.

The first hint of spring seemed to allay the worst fears. As the Gulf war ended and banks became more sympathetic towards the plight of companies which had overborrowed, it seemed that the crash might not be as bad as that of 1974, after all.

Property shares were swept up in the stock market rally which greeted the conclusion of the Gulf war and anticipation of base rate cuts. Even the most fragile companies rallied on recovery hopes. For instance, the share price of Rosehaugh, the overborrowed company headed by Mr Godfrey Bradman, bounced from 60p to 105p.

The buoyancy of the market inspired a stream of rights issues in which 10 property companies raised a total of £470m. Most trumpeted their desire to make acquisitions, although the need to repair their balance sheets was often a more convincing explanation.

But hopes of early recovery in the spring proved illusory and the property market, far from recovering, went into a new phase of its downturn. Even though the rising yields which had driven down values in 1990 started to harden, falling rents started to inflict heavy damage.

The property market was squeezed between the deepening problems of the UK recession and the results of the building surge in the late 1980s. Many well-located, well-built properties could not find tenants, while poorer quality buildings or those in undesirable locations did not have a chance.

The worst affected areas were the City of London and the neighbouring docklands. Canary Wharf, the gleaming chunk of Manhattan on the Isle of Dogs, announced a mere trickle of deals, leaving 1.9m sq ft or 43 per cent of the buildings under construction unlet. The number of empty buildings elsewhere on the Isle of Dogs was even worse.

The City's vacancy rate grew to nearly 20 per cent, particularly around the fringes, where street after street was plastered with letting boards.

Falling demand from tenants cast a pall over improvements in the investment market. Although there were buyers for modern well-let properties (in the summer Equitable Life bought 17 business parks in a single deal and foreign investors spent £290m on City office blocks in a single day) there was no market for unlet properties.

This spelt disaster for the "developer trader" breed of property company, which depended on letting and selling properties to pay their interest bills.

More than 230 property companies went into receivership or administration, including Berish Berger's Land & Property Trust, City Gate Estates, Alpha Estates, Erostin and Sheraton.

Many others were taken into intensive care. By the end of the year, the share prices of some 20 quoted property companies, including one-time luminaries like Mountleigh and London & Metropolitan, had sunk to 10p or less.

But even the leviathans were not immune. MEPC, the UK's second largest property company, made provisions estimated at between £150m and £200m on its development programme, Hammerson made a £90m provision on a Manhattan development and Slough Estates announced a fall in profits for the first time in 44 years. The misery seemed to embrace everybody affected by the property industry. The surveying industry made sweeping redundancies, particularly in companies that relied on agency work. Many aspiring surveyors recently out of college had a hopeless task finding suitable work. The outlook for architects was equally bad. Opportunities in Continental Europe provided the only consolation.

Even tenants, who might have expected to call the shots in an oversupplied market, often felt badly-used. Companies that wanted to move offices were unable to assign their existing leases. And tenants were horrified to discover that their rent reviews did not take account of the difficult trading conditions. In May, tenants in London's fashionable South Molton Street went on strike in protest at high rents.

The downturn also changed the face of cities, by making ambitious new developments unviable. In London, schemes at King's Cross, Paddington Basin, the South Bank and Chiswick went on ice.

Even the winners seemed paltry by comparison with the losers. The best performing part of the market was the unglamorous, high yielding industrial sector. The stock market was increasinging dominated by Land Securities. Its solidity, once seen as stodginess, became an undisputed virtue.

Otherwise, any company that could raise the money to make acquisitions won plaudits. One example was Argent Estates, an ambitious private property company run by two lawyers, Michael and Peter Freeman, which managed the rare feat of raising money in the US. Great Portland Estates managed to shrug off worries about its central London office exposure and raise money for a £100m spending spree.

But the greatest dash was cut by Mr John Ritblat of British Land. Mr Ritblat, who survived the last crash by the skin of his teeth, has spent more than £500m since January 1990.

The short list of conspicuous buyers underlines two points about the market. Either cash-rich buyers are thin on the ground or they are biding their time, waiting for an improvement in the market. Either way, it suggests that a recovery will be a drawn-out affair.

It is a sombre end to a sombre year. Nonetheless, the property market can clutch at one straw of comfort: 1992 is most unlikely to be as bad as 1991.

Investor confidence stirs

Investor confidence appears to be on the rise, according to the Investment Property Databank (IPD). In November, IPD detected the sharpest positive movements in its monthly index since October 1989. The total return was more than 0.5 per cent and capital growth was only barely negative at -0.1 per cent.

IPD draws comfort from the rate of net investment, which has been positive for the fourth successive month, and a slight downward pressure on yields. However, rental values fell again by 0.5 per cent, bringing the annual rate down to -3.2 per cent.

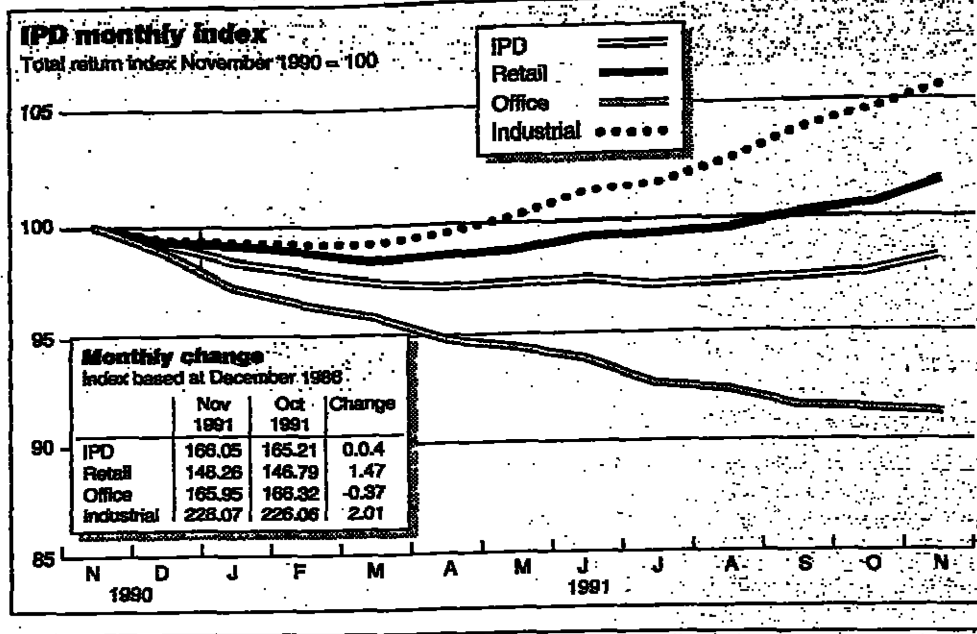
If these trends continue into December, IPD predicts that the total return for the year should be below zero, with capital growth at -7.5 per cent (and rising) and rental growth at -4.0 per cent (and falling).

All three sectors continued to show improvement in their year-on-year capital growth, although the retail and industrial sectors are improving much faster than the office sector.

Total return in the retail sector increased by 0.5 percentage points to 1.0 per cent and capital growth showed a positive result – 0.4 per cent – for the first time in 1991.

Total returns for offices improved from -0.3 per cent to -0.2 per cent. Rental values fell by -1.0 per cent, and 0.7 percentage points year-on-year.

Rental values in the industrial sector dropped by -0.5 per cent, the single largest fall this year. Capital value growth was marginal. The total return now stands at 5.5 per cent for the year to November.



	Nov 1991	Oct 1991	Change
IPD	166.05	165.21	0.04
Retail	148.26	146.79	1.47
Office	165.95	166.32	-0.37
Industrial	228.07	226.06	2.01

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ARTS

Phantom of the Opera

SHAFTESBURY THEATRE

The alternative version of *The Phantom of the Opera*, as I suppose we must call it while it lasts, turns out to be full of fun, has some spookiness and is a thoroughly enjoyable show. Were it not for the fact that the Andrew Lloyd Webber version is playing only five minutes' walk away at Her Majesty's, the praise would be considerably higher.

To make matters even more confusing, the production that opened at the Shaftesbury on Wednesday is actually the original stage version. Written by Ken Hill of *Z Cars* and *Softly Softly* fame, it was first presented at the Newcastle Playhouse in 1984, had a spell at the Theatre Royal, Stratford East and comes to us now as a production from the Churchill Theatre, Bromley. Lloyd Webber got into the act much later, and almost stole the show.

Almost, but not quite. *Phantom* is a good enough tale to be appealing in whatever form it comes. Hill and his musical director, Alasdair MacNeill, had the perfectly reasonable idea of saying that since the piece is set in the Paris Opéra, the music should come from whatever was likely to be played there, notably Gounod's *Faust*, a performance of which is part of the plot. Also thrown in are selections from Offenbach, Mozart, Verdi and Donizetti. The final songs are from *Lucia di Lammermoor* and *Don Giovanni*.

That ought to be powerful stuff. It ought to seem very pretentious of Lloyd Webber to to try to compete with such eminent composers. The truth is, however, that Lloyd Webber on his own is better than a choice from your 100 best tunes. And the reason is that he is better dramatically.

Lloyd Webber's music is all of a piece; there is a sustained build-up in his *Phantom* which is entirely lacking in the Hill/MacNeill version. The Lloyd Webber *Phantom* is at times close to psychological drama because of the strength of the musical backing: the music *is* the play. At the Shaftesbury, we are nearer to pantomime.

There is one other way in which the Lloyd Webber production at Her Majesty's is inimitable: that is the crashing down of the chandelier. Hill's direction does not even try to copy it, though it does have some fun. A chandelier does fall and there is a splendid new verb in the line: "the night that Carlotta was chandeliered".

In the end, this is the poor man's, down-market *Phantom*: nothing sumptuous, nothing quite on the Lloyd Webber scale. Whenever it approaches feeling, it stops for a laugh. Nevertheless, the production has its moments. There is a wonderful scene where Mephistopheles swings across the stage with a rope round his neck and another where Peter Straker's Phantom cleverly contrives to look as if he is throwing a body from the rooftop. The element of pantomime is strong, even down to the line "Oh no you don't". Christina Collier as Christine is the most striking of the singers: the orchestra would be bigger and better if we were meant to take the music seriously.

Some people might go and see this *Phantom* by mistake for Lloyd Webber. One hopes that they will not be too disappointed. The Hill version is a pleasure in its own right.

Malcolm Rutherford

The Great Pretenders

GATE THEATRE, W11

The Gate Theatre here surpasses itself and brings its superb four-month season of four Spanish Golden Age plays to a brilliant climax. *The Great Pretenders* is not just a masterwork of Spanish drama but also a surpassingly great achievement of baroque art – a play to be discussed in the same breath of Velasquez's *Las Meninas*. It is an astonishingly fine evening in the theatre, funny, moving and taut with suspense. And here it is excellently played and staged.

The author is Lope de Vega. I have been highly excited to see the plays by his contemporaries, Calderon and Tirso de Molina, in this Gate season, but I think *The Great Pretenders* shows that Lope was the supreme dramatist of that high summer of Spanish art. It keeps you guessing on every level. It is about Diocletian and his rise to become Emperor of Rome in an era of intrigue and treachery, when one Emperor succeeds another with bewildering speed. This is, you think, a history play, and you feel its resemblance to those by Shakespeare, or indeed to Ibsen's *The Pretenders* (now at the RSC).

But no, for now we meet the actor-manager Genesius, who will perform for the Emperor. Suddenly this becomes a play about theatre, and the connections between performers and stage audience acquire the kind of keen irony that we know in Shakespeare comedies and *Hamlet*. Next, however, real life overtakes the players to such a degree that the action becomes half wonderfully ludicrous, like the Crummleses' *Romeo and Juliet* (in the RSC *Nicholas Nickleby*), half dreadfully poignant, like *Pagliacci*.

By this time, we're breathless, but now Lope brings out his biggest surprise of all. He widens the whole scope of the action to an awesome degree – and turns it into a work about martyrdom. Just as this drama was starting to seem a brilliantly baroque feat of juggling life and art round and round in the air, like Corneille's *The Illusion* (seen last year at the Old Vic), it turns out to be heroic and tragic, like the same playwright's *Polyeucte* (seen this summer at the Gate). So you see? It *is* a history play, after all.

The Great Pretenders, which toured for a month before arriving here, plays at the Gate until January 11. Hours afterwards I can still feel the wonder I felt as I watched. This is largely due to a first-rate cast, led by Louis Hilyer as Genesius, John Straiton as Diocletian, and Jamie Newall in six different roles. Only Clara Salaman lets the side down as the fortune-telling Camilla – too forced, not authoritative enough – and yet she too has made the character haunt me.

Laurence Boswell, one of the guiding spirits of this Spanish season, directs. He gives the play all the great intensity which the Gate can handle so well, and he honours Lope's spirit by eliciting a performance style that is now realistic, now heroic, now comic, now classical. I would love to know how many liberties with the original David Johnston has taken. Maybe not many. He has plainly found delight in the many layerings of this amazing work, and, without drawing attention to any cleverness of his own, he gives that delight to the audience.

Alastair Macaulay

A lithograph of Napoleon's horse, Marengo, 'Emblematic of his master's downfall', by James Ward, 1894

A draughtsman who would paint

Susan Moore is pleasantly surprised by James Ward's drawings

James Ward belongs to that tormented category of artists fated to have less ability than ambition. He persistently failed to recognise his own limitations. In 1799 he renounced the "dreadful drudgery" of a lucrative career as Engraver in Mezzotint to the Prince of Wales to establish himself as a painter. Gaining a reputation as the greatest animal painter of the day was not enough for him. Neither was success in landscape, a genre in which, characteristically, he sought to out-Rubens Rubens. Ultimately he aspired to the elevated ranks of the history painter. He struggled for six years to finish the patriotic 35ft "Allegory of Waterloo". It met with almost universal derision.

Moreover, there is something deeply unpleasant about the facture of his pictures. The surface of his most famous painting, and a masterpiece of the Sublime in British Romantic painting, the colossal "Gordale Scar" in the Tate, is a case in point. The thickly impasted paint is dry and crusty, and the touch tight and crabbed, as if he were still working with the engraver's burin.

Remove Ward's brush and his pretentions, and quite a different sensibility emerges. On show at the Fitzwilliam Museum in Cambridge (until January 12) is the first exhibition devoted to his drawings, watercolours and prints, organised by Jane Monro. This small show reveals him as one of the most sensitive and interesting draughtsmen of 19th century Britain.

No detail is too insignificant. Ward takes equal care in recording a battered milk pail and the hob-nailed soles of a sleeping boy's boots, as copying the sculpted drapery of a figure from the Parthenon frieze. His acute eye observes the scrunched faces of Lord Somerville's new-born puppies, the sociable abandon of sleeping pigs, or the line of sheep on the move across a mountain. Ward's fresh look at nature, what he called a "rigid attention to Truth", prefigures the Pre-Raphaelites. In one remarkable sheet he notes the progress of a sheep in a dip: wide-eye with fear in the water, hauling itself onto the bank, and emerging on crouched legs, dripping and bedraggled. These uncontrived images are in marked contrast to the battles of savage Nature waged on his canvases.

Touch is subtlely altered in response to subject. An avenue of birches or a horse's forelock are executed with great delicacy in black chalk and graphite; a study of an eagle comes in hard curves of black ink. A human skeleton is recorded with great precision in pen, ink and wash, while anatomical drawings have a no-nonsense directness.

Ward's idiosyncratic personality emerges as his taste for the exotic – such as Zebu cattle at Walcot Park, or Cossack soldiers stationed in London – becomes an obsession with freaks. He sought out and drew, presumably in the spirit of scientific inquiry, a nonagenarian charcoal burner who lived with his wife and eight children in a cone-shaped hut in the forest; "Caerphilly Junbo", a well-known Welsh innkeeper; and a Finchley labourer who was a "striking example of ignorance". He portrayed the insane, the homesick, and the picked heads of Botany Bay men.

A description in a *Journey to Snowdon* led him to "two singular aberrations" which feature prominently here: Mary Thomas and Ann Moore, "the fasting woman of Tutbury". Ward made repeated visits to the two women who claimed not to have eaten for six or seven years, and privately published an account of his findings in 1813. Ward made various studies of Ann Moore sitting up in bed in her cottage, "a position from which she never varies". A few weeks before publication, his subject was denounced a fraud, but Ward thought the story interesting enough to proceed, dedicating his pseudo-scientific research to Sir Joseph Banks.

The show closes with the etchings of Ann Moore made for his Account, and with six of the 14 prints of "Celebrated Horses" in the relatively new medium of lithography. Here again, unlike Stubbs's comparable earlier venture, *A Review of the Turf*, Ward includes the extraordinary and the peculiar, such as Little Peggy, a 34in Tibetan pony.

Most successful of all, however, is his depiction of Napoleon's horse Marengo, captured at the Battle of Waterloo and bought to London by Lord Petre. The trapped, terrified beast pulls up short at the edge of the sea; his mane streaming out in an echo of the sky streaked by the setting sun.

The horse is emblematic of his master's downfall. This highly emotive image is a far more affecting commentary on contemporary history than the histrionic "Allegoy of Waterloo". James Ward is far better at 35cm than 35ft.

The Sixteen

ST JOHN'S, SMITH SQUARE

There is one season of the year when St John's is sure to be full. The hall is the perfect venue for Christmas music, more homely in size than the cathedrals and with its former church interior retaining just the right ambience, so it is no surprise to find capacity audiences at the moment.

To capitalise on its privileged position St John's is working Christmas hard. A couple of years ago the hall discovered that three performances of *The Messiah* with the same artists would still have a queue for returns at the door. This year the whole of the present week is given over to an imaginative Christmas festival featuring seasonal music (mostly for choirs) through the ages, framed by the inevitable *Messiahs*.

Those are being given, as before, by the Sixteen under Harry Christophers. But I chose to catch their more adventurous programme on Tuesday of 16th and early 17th-century sacred music. The Sixteen is one of several groups in Britain which search out this material and perform it to a high technical standard. It is a fully professional choir, with women rather than boys, and thus produces an impressive refulgence of sound.

No matter how scholarly the approach, the performance of music from this period will always be seen through 20th-century eyes, and if that seems particularly so in the case of The Sixteen, then it is difficult to pinpoint why. There was no want of expressive singing in the Taverner and Dom Pedro de Esperança pieces in the first half, though a tendency to cosset the music was overdone in a pair of old English carols.

The strength of the evening came from the imaginative selection of music by little-performed composers, such as Richard Hygons (c1435-c1509) and Juan Bautista Comes (1582-1643). Each of the Comes items was full of exuberance, pitting a small group of singers with harp and theorbo against a larger choir, bolstered on this occasion by a proud trio of sackbuts. A good idea, too, to place his music alongside plainer settings of the same texts by his compatriot, Victoria.

A few problems with BBC equipment delayed the start of the second half. While we were waiting, the choir and theorbo busked a carol and it will be amusing to see if their "Ding dong merrily on high" finds its way into the radio relay as a light-hearted encore.

Richard Fairman

Le nozze di Figaro

COVENT GARDEN

Although the bicentenary day is behind us, there is no moment of repose in which to turn our eyes away from Mozart. The Royal Opera is embarking on a cycle of the three Da Ponte comedies, reviving *Le nozze di Figaro* and *Cosi fan tutte* as produced by Johannes Schaaf and entrusting its new production of *Don Giovanni* to him as well.

The wisdom of this plan will have to be weighed in the balance when the trio is complete. I have not seen the *Cosi*, but came away with mixed feelings from this *Figaro* on Wednesday. The opera is set under a grand classical cupola adorned with painted cherubs, while a large clock ticks away the hours of the *folle journée*. But everything below ceiling level looks a mess and the action itself is no less a jumble of too many clever ideas.

One gets the impression that Schaaf has spent hours of rehearsal time pondering the significance of every moment and is determined that the singers should register them all. Nobody is allowed to get away with less than half a dozen reactions per minute and the result is an over-acted *Figaro* which has less basic truth in it than usual – a shame, as the cast is potentially a fine one.

The producer is interested in the politics of the period and the warning bells of incipient rebellion below stairs ring loudly. Lucio Gallo, making his Royal Opera debut, was a fine and well-sung Latin Figaro, clearly a sympathiser with the new egalitarian ideals. He was paired with Marie McLaughlin's lively Susanna, highly praised when the production was new, and the battle of wits going on between them suggested that this marriage might well turn out no happier than that of their superiors.

It is a household where the servants are always one step ahead. Thomas Allen's well-drawn Count caught nicely the deflated pride of a middle-aged aristocrat constantly frustrated in his desires. Unfortunately Schaaf's scheme of things has his wife portrayed as a sad case, fond of the bottle and in danger of losing her dignity altogether, which is not the sort of Countess I want to see Felicity Lott, that most elegant of sopranos, asked to sing. Her broadly-phrased "Dove sono" at least offered some recompense.

As Cherubino, Christiane Oertel came dressed as Little Lord Fauntleroy and seemed devoid of adolescent passion, though she sang her two arias neatly enough. Most of all I enjoyed Sarah Walker's Marcellina and Gwynne Howell's Doctor Bartolo, both unhackneyed portrayals on the right side of comic exaggeration. Regrettably the same could not be said of Robert Tear's way-over-the-top Basilio. What I missed from all the cast, to a greater or lesser degree, was real people on stage who might touch the heart.

When the singers came adrift from the orchestra, it was always because they were in front. Jeffrey Tate took the music consistently a notch slower than we expect these days. Winds were prominent in the Klemperer fashion and the general feeling was similarly firm and stolid, determined not to be hustled. Not much revolutionary fervour there.

Richard Fairman

Swan Lake

SADLER'S WELLS

"If it's Christmas, it must be Tchaikovsky", as the coach-parties know only too well. But the artful London City Ballet has pulled a neat switch and, eschewing the omnipresent nutcrackery, has brought its *Swan Lake* for a season to the Wells. The version is honourable – in essence, the production originally mounted in Moscow in 1953 by Vladimir Bourmeister. This sought to use most of the music composed by Chaikovsky for the ill-fated first Moscow staging in 1877. Bourmeister's new choreography was well-made – it also retained much of Ivanov's second act – and he was subsequently to produce the ballet at the Paris Opéra. Patrice Bart has revised this staging, which he danced at the Opéra, for LCB's reduced forces, respecting Bourmeister's intentions, and the company responded at Tuesday night's opening of the season, with lively performance. Too lively, indeed, in the case of the Jester – for every Russian version comes fully equipped with this abomination – who mopped and mowed and behaved with unendurable vivacity. We may have to breed a strain of myxamatosis to reduce this scourge, once and for all.

The best thing about the evening is the way in which LCB's artists set themselves with entire dedication to the task in hand. We cannot expect great refinement of means, but we are witness – as was a packed house – to the company's involvement in every role, every step, and to the clear lines of Bourmeister's dramatic argument. The tale is told in bold emotional colours so that it may still engage our feelings, and LCB's artists work eagerly to this end. (The ballroom scene, where von Rothbart's cohort of national dancers wait for Siegfried to betray his oath to Odette, is vividly effective). The production is far removed from the ritualistic and marmoreal calm of more established presentations, and it reminds us that *Swan Lake* is still a tragedy about love, and not merely a tragedy because so few dancers are worthy of its challenges.

Leading the performance, Yelena Pankova proposed an Odette of mysterious sadness – a *princesse lointaine* to grip Siegfried's imagination. Her Odile seemed too forced in effects, but I am told that she was suffering from 'flu, and it is unnecessary to make further comment. Pankova needed, of course, a larger stage in order that her style, and the choreography, might flower fully, yet the purity and distinction of her movement spoke everywhere of Odette's nature. Her partner was Kirill Melnikov, a sure cavalier, but not at this performance the most haunted or impassioned of princes.

Clement Crisp

INTERNATIONAL ARTS PREVIEW & EXHIBITIONS

The Brooklyn Museum in New York has organised a major film retrospective of the Italian director Luchino Visconti, to be shown in 17 screenings on successive weekends from January 4 to February 29. Entitled Visconti: Maestro of the Movies, the retrospective explores in depth the work of one of the outstanding figures in Italian cinema. Among the films to be screened are the rarely-seen Ludwig (1973), which will open the series; the complete director's cut of The Damned (1969); Death in Venice (1971); Senso (1954), a magnificent historical film about an aristocratic Venetian woman (Alida Valli), whose infatuation with an Austrian soldier (Farley Granger) leads her to betray her family and country; and a rarely exhibited print of White Nights (1957), based on a Dostoyevsky short story about a doomed love affair and starring Marcello Mastroianni, Maria Schell and Jean Marais. There will also be a chance to see Ossessione, with which Visconti made his directorial debut in 1942. The film, an adaptation of the James Cain novel The Postman Always Rings Twice, was hailed as the progenitor of the Italian neorealist movement. It was followed by La Terra Trema (1947), a neorealist epic saga of the struggle of a Sicilian fishing village against the elements and economic oppression, filmed with non-professional actors. Twelve of the screenings will be introduced by renowned Italian cinema scholars and experts on Visconti's career (Saturday and Sunday afternoons beginning at 14.00, tel 638-5000).

The Washington Opera is heaving a sigh of relief after signing a new two-year contract with the Kennedy Center Opera House Orchestra. Due to a labour dispute, the season's opening productions of Don Carlo and Don Giovanni had been performed using only a keyboard accompaniment, and the rest of the season was in jeopardy. Now everything can proceed as planned: a new production of Les Contes d'Hoffmann opens at the Eisenhower Theater on December 28, with Michael Myers in the title role (12 performances till Jan 29). Michael Hampe's production of Handel's Agrippina opens on January 4 (runs till Feb 8), followed by the American premiere of Savage Land, by the Chinese composer Jin Xiang (Jan 18). Performances then move to the Opera House with Cav and Pag on Feb 15 and Der fliegende Hollander on Feb 22 (tel 416 7800).

■ EXHIBITIONS GUIDE

AMSTERDAM

Van Gogh Museum Edgar Degas: Sculpture. Degas put only one of his sculptures on show during his lifetime - The Fourteen-year-old Dancer. This exhibition presents 73 bronzes which were cast from a large number of wax and clay models found after the artist's death. The themes are bound up with Degas' work, such as young dancers in action, horses, women bathing and drying themselves. Ends Feb 23. Also L'Estampe Originale: artistic print-making in France 1893-1895. Ends Jan 26

Rijksmuseum Rembrandt: a major exhibition bringing together paintings from museums in Berlin, Amsterdam and London, and capitalising on the latest developments in Rembrandt research and attribution. Ends March 1. A companion exhibition of 40 drawings by Rembrandt and his pupils, plus 40 etchings, ends on Jan 19

■ BARCELONA

Fundacio Joan Miro Aiko Miyawaki and Frank Gehry. The Japanese sculptress, author of a sculptural group in the gardens of the Palau Sant Jordi in Barcelona, presents her recent Utsuroshi series of steel wire sculptures, together with a selection of paintings and sculptures produced before 1980. The exhibition of work by the American architect Frank Gehry (b1929) includes 26 projects illustrated by models, drawings and photographs, the most notable of which are the Walt Disney Concert Hall and the Olympic Village in Barcelona. Ends Feb 2

■ BERLIN

Altes Museum Martin Schongauer: Engravings. An extensive exhibition marking the 500th anniversary of the death of Schongauer, the first great engraver of German art. Ends Feb 16

Nationalgalerie Otto Dix: a major retrospective marking the centenary of one of the towering figures of 20th century German art, renowned for the bitter realism of his portraits, brothel scenes and visions of war. Ends Feb 4

■ LONDON

Victoria and Albert Museum The Magi and The Gift: the tradition of Christmas giving seen through French Renaissance stained glass windows, Italian majolica, illuminated manuscripts and etchings by Dürer and Rembrandt. Ends Jan 12. Also Visions of Japan, centrepiece of the Japan Festival. Ends Jan 26

National Gallery Paula Rego: six acrylic paintings and more than 30 small works on paper, stemming from her time as the museum's first associate artist in 1990. Ends March 1. Also The Queen's Pictures. Ends Jan 19

Tate Gallery A major painting by Francis Bacon (b1909), Second Version of Triptych 1944, has been presented to the Tate by the artist. The painting, made in 1988, is the first to be acquired by the Gallery since 1980, and is included in a room which offers visitors the chance to study the development of Bacon's work since 1944. Ends Jan 12. Also Giorgio Morandi (1890-1964): 48 etchings by one of the great figures in modern Italian art. Ends Feb 9. Also Gerhard Richter (b1932): first major survey in Britain of one of Germany's most eminent living painters. Ends Jan 12. Also Anthony Caro (b1924): new and recent work by the British sculptor. Plus Turner's Rivers of Europe. Ends Jan 26

Royal Academy Katsushika Hokusai (1760-1849): sketches, paintings and 150 printed works by the most celebrated Japanese artist in the West. Ends Feb 9

Barbican Japan and Britain: an aesthetic dialogue 1850-1930, with works by Whistler, Mackintosh and others who contributed to the exchange of influences. Ends Jan 12

Hayward Gallery Toulouse-Lautrec. Ends Jan 19

■ MADRID

Centro de Arte Reina Sofia Lyubov Popova: more than 100 paintings and works on paper by a leading figure of the early 20th century Russian avant garde. Ends Feb 17

■ NEW YORK

Metropolitan Museum of Art French Architectural and Ornament Drawings of the 18th century: 130 items, mainly decorative drawings and watercolours for candelabra, clocks, furniture, carpets and hotel facades. Ends March 15. Also Stuart Davis (1894-1964): the first retrospective of the American modernist for more than 25 years. Ends Feb 16. Also a major Seurat exhibition and another devoted to his neo-impressionist followers. Ends Jan 12

Whitney Museum of American Art Alexander Calder (1898-1976): more than 50 works by the innovative and popular American sculptor. Ends Feb 2. Also Alexis Smith (b1949): a mid-career survey of the Californian artist who has re-invigorated American collage in the past 20 years. Ends March 1

■ PARIS

Centre Pompidou Max Ernst retrospective, with 250 collages, paintings and drawings showing the great Surrealist painter revelling in the Unconscious. Ends Jan 27

Musée des Arts de la Mode Elegance and Fashion in 18th century France: sumptuous materials and dazzling craftsmanship characterise the 80 exhibits from French Regency to the Revolution. Ends March 31 (107 rue de Rivoli)

Musée d'Art Moderne de la Ville de Paris Alberto Giacometti (1901-66): exhibition of work by the Swiss sculptor and painter. Ends March 15 (11 ave President Wilson)

Grand Palais From Watteau to David: works from the school of 18th century painting. Ends Jan 6

Grand Palais Géricault: retrospective marking the 200th anniversary of the artist's birth. Ends Jan 6

Louvre Three exhibitions of German art from the Gothic to the Renaissance. Ends Jan 20 (Hall Napoleon and Pavillon de Flore)

Musée de l'Orangerie des Tuileries Derain: more than 60 works by one of the original Fauves. Ends Jan 20

■ ROTTERDAM

Museum Boymans-van Beuningen Prints by Stefano della Bella (1610-1664). At the height of his popularity, della Bella was a favourite of the Florence and Paris courts, but later sank into oblivion. His versatility is shown in etchings of ceremonial festivities, scenes from daily life, vedute, landscapes and designs for ornaments. Ends March 8. Also Paintings from 89 cities by On Kawara, plus an exhibition by two ceramicists, Alison Britton (b1948) and Claudi Casanovas (b1956). Ends Feb 2

■ WASHINGTON

National Museum of Women in the Arts Voices of Freedom: Polish Women Artists and the Avant Garde 1880-1990. The exhibition, the first in the US of these works, includes every major movement from realism to expressionism, nationalism to abstraction. There are 80 paintings, plus sculptures, tapestries, drawings and mixed media. Ends March 22

National Gallery of Art Walker Evans: classic documentation of American life during the Depression, including New York subway photographs. Ends March 1. Also Albert Bierstadt: the most comprehensive collection of work ever assembled of the epic American landscape painter of the 19th century. Ends Feb 17. Also Circa 1492: Art in the Age of Exploration. Ends Jan 12

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Bundesbank bites back

THE BUNDESBANK is a political animal, however independent of the political process it is supposed to be. So it will be quietly content that German conditions justify actions that allow it both to reinforce its credibility and exact revenge on those who prematurely danced on its grave.

The Bundesbank's reputation has taken a few knocks in recent years: over the terms of German unification, the inflationary nature of the subsequent expansion, and now the proposed deal on European economic and monetary union. The Bundesbank wanted tough convergence criteria and no rigid timetable for Emu. It got neither of these; only notice that its services will not be required by 1999 at the latest.

Yet the Bundesbank retains, for the time being at least, the ability to dictate monetary policy, both in Germany and across Europe. By raising both its official interest rates by 0.5 percentage points yesterday, it has ensured that Europe's short-term future will be even bleaker than expected.

First and foremost, this was a domestic move by a national central bank. The Bundesbank's *raison d'être*, which remains that of providing stable German prices, has been made impossible this year by the monetary overhang following unification and the burgeoning fiscal deficit. Inflation is already expected to rise to 5 per cent early next year.

Unacceptably high

The Bundesbank felt obliged to show it would not tolerate inflation rates at these levels, particularly as German wage-bargainers look set to converge around a 6 per cent wage increase next year, which would be lower than this year, but still unacceptably high. Hence its decision to raise the psychologically important discount rate to its highest ever level, as well as the economically significant Lombard rate.

The Bundesbank's actions have much wider ramifications. Rising German rates had already virtually eliminated the interest rate differential of many of the narrow band currencies within the Exchange Rate Mechanism. Consequently, the Netherlands, Belgium and Denmark have already mimicked the Bundesbank's action. French officials will gnash their teeth and dream of 1997 (or maybe 1999). But with the franc languishing at the bottom of its band, they are almost certain to follow.

Nor would an upward realignment of the D-Mark ease these pressures: the heightened risk that these countries would realign again could well mean higher rather than lower interest rates. For some countries, a final pre-Emu realignment may prove necessary on competitiveness grounds; but only if they can prove it would be the last. Until then they must grin and bear it.

Little comfort

Higher interest rates are precisely the opposite of what the ailing European economy (outside Germany) needs. The latest OECD outlook was relatively optimistic about Europe's prospects for next year, but it also assumed that Germany would deliver "a gradual easing of short-term rates". Indeed, the OECD hoped that "other European countries will probably move their interest rates in line with Germany – or even try to lower rates somewhat more". Sadly the OECD looks set to be only half right. They will follow Germany, but up; and remain there for perhaps the next six months.

The luxury of wide ERM bands makes it a little less likely that the UK and Spain will have to raise rates too. Sterling weakened only slightly yesterday. But the British government will have taken little comfort from that. Slower growth in Europe will further delay Britain's anaemic recovery. If, that is, there is any recovery to speak of. Yesterday's unemployment figures suggest things may even be getting worse once more.

More worryingly for Mr Major, higher German rates virtually eliminate any chance of lower UK rates before the next election; and substantially raise the chances of his having to raise rates between now and then. The official UK interest rate differential *vis à vis* Germany has now narrowed to less than 1 percentage point. With an election in the offing, sterling is bound to look an *increasingly risky investment.*

Keeping cool under fire

IS THE OECD unduly complacent? This will certainly be the charge brought against its latest Economic Outlook, with its projection of modest recovery in 1992, particularly after the half a percentage point increase in German short term interest rates yesterday. The charge would be unfair. The OECD is, in fact, cautious in its analysis and sensible in its recommendations.

While the OECD recognises the downside risks, particularly that of balance sheet deflation, it is right to discourage hysteria. 1991 bears no comparison with 1931. Instead of panic-stricken fine-tuning, continued attention to structural policy is required, with the highest priority being further liberalisation of trade.

This is not to downplay the disappointments since the publication of the last Economic Outlook in June. Back in June the secretariat projected OECD economic growth at an annualised rate of 2.4 per cent between the first and second halves of 1991. Growth between the two halves of 1991 is now expected to be a mere 1 per cent. Similarly, last June growth was projected at 2.9 per cent between 1991 and 1992; that projection is now down to 2.2 per cent.

This only goes to prove that forecasters do not understand why economies change course and cannot project how quickly they will do so. Nobody should bet the bank (least of all bankers, who have bet enough already) on the strength of the recovery.

Conditions created

David Henderson, the head of the OECD's economics department, would be the last person to do so. What he does stress, however, is the OECD's view that easier monetary policies "in most OECD countries have created the conditions for the kind of recovery that we depict". Given the unpredictable lags involved, he has a good chance of being right, especially for the US.

Nevertheless, as Mr Henderson also remarks: "in many countries ... the risks to growth appear to be on the downside". It is the state of personal and sometimes corporate (particularly banking) balance sheets that is the main source of concern. Though this is far from a universal problem, it is of great importance for the US, Japan and the UK.

If slow growth were to continue, the right response would be further monetary easing. In Europe such a policy is, unfortunately, blocked by the consequences of German unification (as discussed above). Fortunately, the flexibility allowed by floating exchange rates allows both the US and Japan to pursue policies appropriate to their circumstances, which, in both cases, argue for some further relaxation.

Pump-priming

What is not needed is a desperate attempt at global fiscal and monetary pump-priming. Past failures to control inflation cast long shadows. Thus the balance sheet deflation of today is, in part, a long delayed consequence of the inflation of the late 1960s and 1970s. Too many people came to believe that debtors would always be bailed out by inflation. As a result, they borrowed too freely, ignoring the high real rates of interest in place throughout the 1980s. Now they are realising their mistake. But if the inflationary psychology is to perish, the lesson has to be learned, just as developing countries learned it a decade ago.

Economies cannot, in any case, be managed to achieve given rates of real economic growth, year after year. While monetary policy should be fairly flexible, countries must also persist with the medium term path of fiscal consolidation and structural reform.

If the OECD countries are determined to do something to underpin global growth in the 1990s and beyond they need, first of all, to conclude the Uruguay Round of multilateral trade negotiations. But they should go further than that. They should be ashamed that countries like Mexico, Chile, Poland and Czechoslovakia show greater understanding of – and commitment to – liberal trade than themselves. Panic about the slow recovery must be avoided. What is needed, instead, is determination to strengthen the global market framework, without which any recovery is ultimately doomed.

Martin Dickson examines the drastic action taken by General Motors to return its North American vehicle operations to profit

Painful surgery for Detroit invalid

"Revitalising General Motors is like teaching an elephant to tap dance. You find the sensitive spots and start poking." Thus Mr H Ross Perot, the Texan billionaire, summed up the horribly complex and frustrating task of turning around the world's largest industrial company as he ended a short and stormy spell on the GM board in 1986.

Five years and numerous restructuring packages later, Mr Robert Stempel, GM's chairman, this week delivered one of the most powerful and painful prods ever into the thick hide of Detroit's lumbering pachyderm.

Mr Stempel, who took over as GM chairman only 16 months ago, announced that the company is to close 21 mostly unidentified plants in the US and Canada over the next four years; slash its workforce by 70,000, or about 18 per cent; rein in capital spending; and sell off peripheral assets – all in an attempt to return its North American vehicle operations to profit.

Drastic action is certainly needed. GM's North American automobile business is estimated by Wall Street to be losing $500m every *single* month and heading for losses of $6bn to $8bn in 1991. That will more than wipe out the profits from the group's healthy European vehicle operations and its huge non-automotive subsidiaries – Hughes Aircraft, the aerospace business, EDS, the data services company, and GMAC, its finance arm. GM as a *whole is expected to lose more than* $2.5bn this year.

Mr Stempel's surgery should indeed ensure an eventual return to profitability for North America, probably in 1993, provided he can get the United Auto Workers union to co-operate. What it leaves in the air is whether GM is capable of halting, or indeed reversing, the long-term decline which has afflicted it for the past decade in the face of Japan's automotive might. Is it, in short, a Dumbo or a dinosaur?

Certainly, the recent signs have been encouraging: the company has embraced the ideas of "lean," quality-driven manufacturing which have made its Japanese rivals so successful. The shake-ups of the past few years have greatly improved the reliability of its vehicles.

Product design is also improving. This autumn, for the first time in many years, GM has a hit on its hands in the US: the Cadillac Seville, a luxury car with sleek but distinctively American lines which has even had some buyers of European imports *returning to the GM fold.*

The difficulties facing the group, and its increasingly urgent efforts to address them, are in many respects the problems of US big business writ large: what is bad for General Motors is bad for America.

For after decades of post-war complacency, secure in the largest single market in the west, many big US companies have been slow to recognise the challenge posed by the emerging global market place, or the threat from nimbler domestic rivals. Even when they finally started to, in the 1980s, their bureaucracies moved too slowly to address the problems, and the sheer size of their profits offered a temporary shield from reality.

Now, however, some of the most blue-chip names in US business – including International Business *Machines, Citicorp, the biggest American* bank, and American Express – are having to slim themselves down and become much more responsive to the market place, and do so in the middle of what may prove the longest recession since the second world war.

This process is likely to impose some immense strains on corporate cultures. For over the past few years many US companies – GM included – have begun embracing variants on the management techniques pioneered with immense success in Japan after 1945 by Mr W Edwards Deming, the nonagenarian American consultant who was for years a prophet without honour in his own land. These techniques stress co-operation between management and workers in a ceaseless effort to *improve quality.*

One of Mr Deming's basic principles is to "drive out fear" from an organisation. But as GM showed this week, it is impossible to do that when a company is threatening 70,000 job losses, even though it says it wants to achieve them through natural wastage and early retirement. There now promises to be an internecine war, pitting plant against plant, to determine which are the 21 to close.

GM's problems are also those of the US automobile industry writ large. Its Detroit rivals, Ford and Chrysler, are losing money too as the sector struggles with the sharp downturn in demand for vehicles brought on by recession. US sales of cars and light *trucks totalled only 11.37m in the first* 11 months of this year, down 12 per cent from the already depressed 12.9m *units of 1990.*

This downturn, lasting far longer than Detroit expected, has greatly exacerbated an already serious imbalance between the industry's productive capacity and the demand for vehicles. And the inevitable result has been a slashing of car prices to uneconomic levels as manufacturers desperately try to maintain market share and factory utilisation.

The main reason for the demand/capacity imbalance is the remarkable success of the Japanese car companies which have attacked the US market with unrelenting vigour over the past decade, first through imports but increasingly through local factories, known as "*transplants*". Younger Americans especially have been attracted by their extremely reliable *and attractively designed cars and the* Japanese now account for some 30 per cent of the US car market. The figure would be substantially higher if Detroit's loss-leading sales to rental fleets were stripped out.

GM has been much slower to react to these changes than either Ford or *Chrysler, which both faced financial* crises in the early 1980s that forced them to pare their costs to the bone – and psychologically prepared them for further rounds of cuts when the current recession loomed.

The central message of this week's announcement is that GM has finally come to terms with the reality of its diminished place in the world

GM lost far more market share than the other companies to the Japanese, with its share of US car sales plunging from 47 per cent a decade ago to about 35 per cent now, where it appears to have stabilised. But for years it refused to concede that those customers were lost for good, constantly talking of bouncing back to a 40 per cent share.

So although GM has had several rounds of factory closings over the *past five years, these have been* nowhere near enough to bring its capacity in line with demand for its *vehicles. Wall Street analysts reckon* GM's plants are running at some 60 per cent of capacity, compared to some 85 per cent for Ford – and that spells dreadful red ink.

The central message of this week's announcement, therefore, is that GM has finally come to terms with the reality of its diminished place in the world. Mr Stempel says GM expects to use 100 per cent of its North American facilities in 1993 and aims to operate profitably with a market share in the low to middle 30 per cent range.

Whether the auto workers union recognises this reality is another matter. *Its initial reaction to the cuts was* predictably hostile. But this may be tempered by GM's claims that it will *avoid redundancies and stand by the* company's remarkable current labour pact. This agreement, which will not *expire until late in 1993, means GM* has to give its workers virtually full pay, even when they are temporarily laid off. In other words, the company is trying to buy the acquiescence of the workforce as it shrinks it.

Mr Stempel, who wants to to re-negotiate parts of the labour pact to get greater workplace flexibility, will need to proceed extremely gingerly. But he stands a much better chance of success than his predecessor, Mr Roger Smith, a small, authoritarian man who was often booed and jeered when he visited factories.

The 58-year-old Mr Stempel, who has an imposing 6 foot 4 inch presence, booming voice and near-photographic memory, has a collegial management style and – unlike other chairmen *for the past 30 years* – comes from an engineering rather than financial background.

Analysts *blame many of GM's prob*lems on the reign of the accountants who knew little about how cars are actually made. *Yet the roots of GM's* problems are more complex than that and can be traced back at least as far as the 1950s, when *a Cadillac was the* world's ultimate symbol of motoring luxury, and perhaps even to the 1930s, when Mr Alfred Sloan, the chairman who forged GM into the world's greatest industrial combine, worried over the problems of bigness. "Sometimes," he said, "I am almost forced to the conclusion that General Motors is so large and its inertia so great that it is impossible for us to be leaders."

Whenever the rot set in, GM's market dominance meant that by the 1960s and 1970s it had become one of the most arrogant, parochial and ingrown bureaucracies in the world, quite unprepared for the looming Japanese onslaught.

Mr Smith, who took over as chairman at the start of the 1980s and retired in July last year, recognised the dangers and set in train a decade of bewildering change. But with the benefit of hindsight many of his initiatives seem searches for quick-fix magic potions rather than addressing the need for fundamental improvement in management methods.

There was a chaotic corporate reorganisation; the investment of $40bn on *automation* in the mistaken belief that this was the secret of Japanese success; and diversification through the purchase *of EDS and Hughes.* Yet at the same time GM's car sales kept on plunging as its models gained a reputation for boring, look-alike design and dreadful quality.

However, many of the seeds sown during the latter half of the Smith era, and reinforced under Mr Stempel, are now starting to bear more positive fruit. The company's belated adoption of Japanese-style management and manufacturing techniques is producing more distinctive, eye-catching vehicles, brought from design to man*ufacturing much more quickly*, and with much greater reliability when they get on the road.

Yet much remains to be done. Many analysts contend that, despite a *reduction in the number of different* cars it offers, GM still confuses US customers with its huge and overlap*ping range of models. Bureaucracy is* still rife, although the job cuts of the next few years will remove more than 20,000 white-collar workers.

And GM has a long way to go to match the factory productivity of Ford, or the Japanese. Its plant lines are less flexible than those of rivals, which can switch rapidly from production of one vehicle type to another, though this too is to be addressed more urgently under the Stempel reorganisation.

GM is making many small but important, incremental improvements to manufacturing techniques, yet much cost reduction depends on more simpler car designs – *and it will take* the conversion of the entire GM fleet *to complete this.*

Analysts optimistic about the future of the group point out that its *European operations, which* were heavy loss-makers in the 1970s, have become successful thanks to strong new products, more flexible factory practices, lean production techniques and only limited Japanese competition. But that metamorphosis took the best part of a decade, and GM Europe is far less complex than the US.

So while Mr Stempel may poke and prod GM into something resembling a jig, it will take a long time. And by then who knows how much of the dance-floor will be held by those nimble Japanese quick-steppers?

OBSERVER

Outback back out

■ With only eleven appointing-days to go, British *statisticians' hearts* are a-flutter about the top job at the Central Statistical Office. Having sunk on hearing that the post had been offered to an Australian, they have been uplifted again by whispers that the quarry in the outback may back out.

Although Chancellor Norman Lamont has said he wants to make the appointment by the year-end, the unidentified Antipodean *is* apparently arguing that the advertised salary of £79,000 *is not enough to justify a move* from home shores to one of the more accident-prone bits of the UK civil service.

So if the Australian can't be netted, what then? After all, with the job's present holder Sir Jack Hibbert due to retire at the end of February, the replacement cannot be long postponed.

The obvious expedient is for Lamont to look through his short-listed rejects, and plump for a readily available Brit. While that would please the UK statistical profession, however, it would leave the principal problem unsolved.

The prime reason for looking down under in the first place was probably that the Australian Bureau of Statistics, where the undisclosed first choice is working, has had a good record over recent years. Alas the same cannot be said for the UK equivalent, which is in dire need of new blood.

Cop out

■ Meanwhile Lamont's colleague Kenneth Baker seems to be continuing his year of misfortunes though to the end. To cap the home secretary's troubles with fearsome dogs, escaped IRA suspects and such, his efforts to improve Britain's much criticised prisons have fallen behind time.

The Home Office has copped out on the December 31 deadline for a task which will not seem unduly difficult to most: the provision of name-badges to be worn by all on-duty prison staff.

But the bureaucracy has evidently managed to complicate it – as witness the excuses given by Angela Rumbold, Baker's ministerial chum. They include the need to consult the relevant trade unions on the "detailed" arrangements, "*and the procurement* mechanisms necessary for the quantities that will be required."

In which case, what hope can there be of the Home Office hitting its targets for less rudimentary achievements, such as ending "slopping out" by December 1994?

One step back

■ Jacques Attali, president of the European Bank for Reconstruction and Development, wearily stonewalls probing questions about the bank's costs and allegedly expensive life-style. Wondering aloud why the British wanted the bank in London in the first place, he points out that it would of course have been much cheaper sited in Prague. Then he brightens up. Initially, he says, the British press was very critical about the bank. Now they say it's a good bank, the only problem is the president. "I think that's progress."

Knocked down

■ If fine art auctioneer Christies is prepared to cut its executive directors' *salaries* by up to 20 per cent, what does it say about the safety of the firm's dividend?

Christopher Davidge, the pugnacious managing director, stresses that the *salary cuts* are not a publicity gimmick.

"Thank God there's no other superpower to tell us we're not one any more"

The firm did the same in 1974. *A stocky, dapper, figure*, Davidge is a rarity among the aristocratic élite of Christies and Sotheby's. His chairman, Lord Carrington may swan around the world, but Davidge is very much the businessman. His grandfather was a Christies' porter, his dad started as a clerk and rose to partnership secretary, and he has made it to the chief executive's suite.

On the dividend question, he refuses to be drawn. But a cut might give some satisfaction to all those punters who paid too much during the recent art boom.

Going out

■ *The order for a £4 box of* 50 Bock Giraldas for a certain Winston Churchill is dated *August 9 1900. It was the first* he sent to London cigar merchant Robert Lewis, which *even then was 113 years old.*

Now, with a further 91 behind it, the firm is facing *what may be its last Christmas* – at least in the premises at 19 St James's where it has *traded for well over a century.* The two families that own it want to pull out.

There are several reasons. The negative variety include the effects of City cost-cutting and the recession in general, the anti-smoking lobby, and a thin tourist season which normally contributes a fat chunk of the year's business.

The positive reason is the resale value of the lease on the site, for rent apparently still at Atlee-era levels. "It has 60 years left," says the company's septuagenarian chief John Croley who, while hoping to keep it trading where it is, has *a Churchillian abhorrence of* surrender even if survival means moving elsewhere.

After buying that first £4 box, Sir Winston made Robert *Lewis his exclusive supplier* until, having changed to Romeo y Julieta, he placed his last order on December 23 1964 – a month before his death. As it happens, his mother had been a customer before him, though she favoured the firm's *hand-made gold-tipped Alex*andra Balkan cigarettes.

Mysteries

■ The string quartet sawed into *O come all ye faithful*, and the traditional London pub carol-singing night was under way.

God of God, Light of light, Lo! he abhors not the virgin's womb, cawed a City gent, then remarked to his neighbour: "Never been able to understand why they bother to mention it."

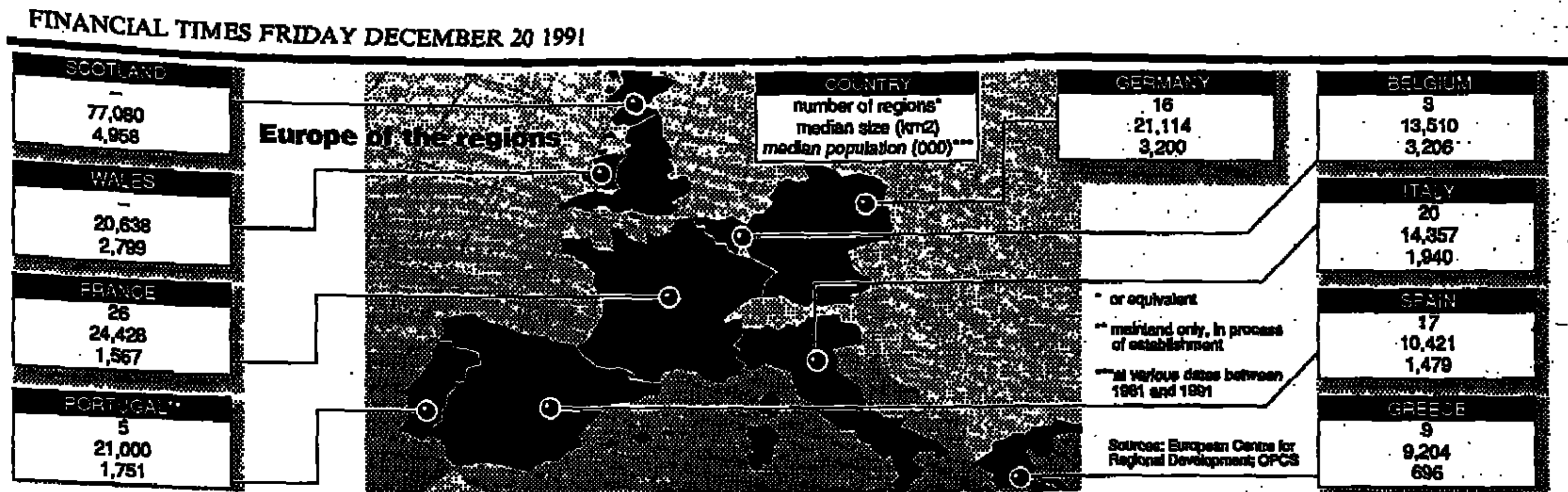
"What?", said the neighbour.

"The bit about him not abhorring virgin's wombs. After all, who in his right mind would, anyway?"

"That's right," said the companion, sipping his beer. "I *have the* same trouble with another one, though it doesn't come up till Easter."

"Which one?"

"*There is a green hill far away, Without a city wall...*" I mean, why should a green hill have one?"



Staging post on the path to federalism

Regional policy in the EC is here to stay, writes **Andrew Adonis**, despite the government's qualms

It's not just on a single currency and Social Chapter that Mr John Major finds himself isolated in Europe. The prime minister's hostility to the creation of a regional tier of government – even in Scotland – leaves Britain in another minority of one among the Community's larger states. It also leaves the Conservatives as lone defenders of the status quo at home: Labour is committed to Scottish home rule and regional assemblies for England and Wales, while the Liberal Democrats are proposing a virtually federal future for the UK.

It is not just regional *government* that raises Tory hackles: ministers are at odds over anything resembling a regional *policy*. Nevertheless, regional policy is here to stay: at the Maastricht summit Mr Major signed the protocol on "economic and social cohesion", which pledges the Community to spend more on "reducing the disparities between the levels of development of the various regions". The structural funds, to help backward or declining areas, have doubled – to Ecu 14bn (£10bn) – in the past three years: their future funding is to be reviewed next year, and a new "cohesion fund" is planned for 1994.

Britain's self-styled regions are already energetic supplicants in Brussels. The Assembly of Welsh Counties is, jointly with the Welsh Development Agency, about to set up a permanent office in Brussels, and Scottish councils will follow suit.

Britain has only become the odd man out in the past two decades. When the Community was founded in 1957, only one of its member states had institutionalised regions: by 1987, most of the 12 did. Individual regions came together in 1985 in their own pan-European body. The Assembly of European Regions (AER) has long pressed for a formal Community role, and got it at Maastricht (Britain assenting) in the form of an advisory Committee of the Regions. Within the Community, "Europe of the Regions" is a slogan mouthed as much as "1992" nowadays.

Not content with its gains, the AER's congress last month called on "the governments of those member states which have not initiated the process of regionalisation [read Britain] to make the necessary institutional changes to this end". This implies that there is a regional model Britain ought to follow.

Is there and should it?

Political scientists have laboured hard to define "regionalism", and to relate it to theories of the state and of the allocation of functions and inter-governmental relations within it. In essence, however, if regionalism means anything other than glorified local government, it is a staging post to federalism, a state in which sovereignty is shared between governmental tiers.

There is, however, no single regional model going. "There is no such thing as a standard intermediate tier in Europe, just a set of contrasting regional systems," says Mr Michael Hebbert, a regional expert at the London School of Economics.

The move towards regions, and their form, has had as much to do with the culture and political evolution of particular countries as with theory. Perceptions of cultural autonomy on the one hand, and reactions to authoritarian rule on the other, have been the strongest influences.

The German case needs little explanation – a number of Länder (states) were, in 1949, artificial creations. The two influences combined also lay behind the commitment to regions in Italy (a state only since 1860) and Spain (five languages, no central administration to speak of until the mid-18th century, and two civil wars since).

In Belgium, the bitter cultural divide between Flanders and Wallonia precipitated repeated political crises in the 1960s, and the introduction of regions in 1971 recognised demands for devolution long formulated by the two linguistic communities. Even in France, the creation of elected regions by Mitterrand's socialists in 1982 was a response to their 23 years in the political wilderness.

For the most part, defining regions geographically has not been a problem. Kingdoms, cities, principalities, islands, linguistic communities have formed most of the boundaries. In France, regions are amalgamations of *départements*.

Accordingly, regions come in all sizes. The typical European region is about the size of four English county councils. Yet Germany's Saarland, Italy's Umbria and Spain's Cantabria have smaller populations than Kent and Lancashire, while two German Länder have larger populations than Belgium – and without the likes of Bavaria (11m residents) and North Rhine-Westphalia (16.9m) the Länder would wield far less political clout.

Europe's regions differ in functions almost as much as in size. Constitutionally, the 16 German Länder have the greatest autonomy, with each Land enjoying its own legal system, a share in national law-making, control over most of the country's civil service, and sole or shared powers over education, health, criminal law, local government, economic development, housing, roads and the environment.

Belgium's regions now enjoy legal powers almost as wide, while, at the other extreme, French regions are largely confined to regional economic development, cultural promotion and the submission of plans and opinions for Paris to approve. Spain is exceptional in that each of its 17 "autonomous communities" has its own "statute of autonomy", specifying devolved powers, with Andalucia, Catalonia, the Basque country and Galicia – regions with a strong sense of autonomy – first in the queue.

Nonetheless, concentration on regions' legal powers can be misleading. In the first place, regional tax-raising powers are, without exception, constrained. Even the west German Länder raise only a small proportion of their income, and are dependent upon assigned revenues or grants for the rest.

Conversely, regions wield much of their influence on a co-operative or informal basis. Italian regions, for example, are represented on national parliamentary committees, and their presidents meet the Rome government regularly. In Germany, Mr Helmut Kohl is a former Land prime minister; his Social Democrat opposite number, Mr Bjorn Engholm, is prime minister of Schleswig-Holstein. Imagine Mr Kinnock president of Wales; or Mrs Thatcher mayor of London.

What are the more likely implications for Britain? The European experience is most applicable to Scotland, where elections and opinion surveys show greater Scottish alienation from Westminster than at any time this century. Moreover, the practicalities of devolution from London to a Scottish parliament get simpler by the year, as ever more powers are devolved to the Scottish Secretary.

Wales is similarly placed, though with less devolution and alienation. England, however, is highly problematic.

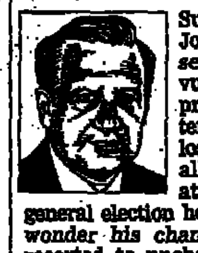
Much of England does not belong to "self-regarding" regions – though the likes of Cumbria and Cornwall could be made regions if local sentiment necessitated it. Equally important is the absence of any equivalent of the French prefectoral system imposing a settled regional pattern to national administration.

Each UK government department and quango has its own regional boundaries for its activities, and they rarely match. Periodically since the war attempts have been made to align regional boundaries with the government's so-called "standard regions" – but with little success, according to Professor Brian Hogwood of Strathclyde University.

The first step to regional government in England would, therefore, have to be the aligning of *existing* boundaries. Beyond that, rolling devolution, with Scotland and possibly Wales leading the way, appears the only practical course. It looks Spanish in style, but if voters ever decide that Westminster and Whitehall do not always know best, it may be the only way.

Joe Rogaly

Pipe and Gannex



Suddenly Mr John Major is seen to be vulnerable, a prime minister who could lose his overall majority at the first general election he fights. No wonder his chancellor has resorted to uncharacteristic gimmickry, as with yesterday's deal with the building societies.

Consider the result, and weep. A year after taking office, Mrs Margaret Thatcher's chosen heir is intervening, leaning on private lenders, subsidising borrowers, saving individuals from the consequences of their own folly – in sum, bucking the market. This is being done to mitigate the pain caused to mortgage holders by the fallout from Mr Nigel Lawson's boom of 1988. Along with the billions spent on clearing away the poll tax, it constitutes a further effort to clear away the election-losing legacy of the Thatcher years. Mr Major has applied the first rule of political survival. When you approach a waterfall, you paddle your canoe in the opposite direction, with considerable vigour.

Thus has the hero of Maastricht become the Harold Wilson of mortgage-land. The prime minister who authorised payments to haemophiliacs, pressure on bankers over loans to small businesses, and the extinction of pit-bull terriers has once again rummaged around the cellars of Downing Street and dug out the old pipe and the moth-eaten Gannex.

He has endured a breathless week. The final lap of the chase began on December 12, the day after Mr Major had proudly presented his report on the successful conclusion to the negotiations on European unity. Answering the leader of the Liberal Democrats, Mr Paddy Ashdown, the prime minister said that "the government are looking urgently with mortgage lenders at what further measures might be taken to protect those faced with repossession".

This was news to most of Whitehall. There were indeed ongoing talks with building societies and banks about the level of repossessions, and a meeting was scheduled for this week. But the deliberations were moving at a measured pace, as these things do. The urgency was introduced by Mr Major. The message went out, a ghostly echo of another past leader's voice: Something Must Be Done.

In consequence we have yesterday's package. The building societies have been encouraged to set aside £750m, so far, to help finance the sale to housing associations of homes they might otherwise auction off. Some mortgages will be transformed directly into rents, the erstwhile mortgagers becoming reluctant landlords. Some deals will be composed of part-rent, part-mortgage payments. Taxpayers will pick up the tab, in the form of a larger number of housing benefit payments to tenants who were formerly owners, net of savings on emergency accommodation costs for families which might have become homeless. In other cases the mortgage interest element of income support will be paid direct to lenders, so protecting the tenants from any temptation to waste the money on food.

The message went out, a ghostly echo: Something Must Be Done

Downing Street will sink to its knees, praying that house prices fall no further and adding, hopefully, that a slight rise during the first half of next year would not be unhelpful. In case this appeal is not heard, some £420m in subsidy is being thrown into the market place, in the form of stamp duty to be waived between now and August 19 1992. The end-date is not a coincidence. The last possible election Thursday is July 9.

Unfortunately for the Tories, Mr Major cannot find such clever "solutions" to all the problems he faces. Take unemployment. You cannot tell from one month's statistics, but yesterday's figure breaks the encouraging run of declining monthly increases. In March the number of people out of work rose by 111,200. By October the dread number had fallen to 16,900. In November it was up again, to an additional 38,900 on the dole.

This disquieting news is as nothing to yesterday's decision by the Bundesbank to raise its emergency lending rate by half a point. If the British government is lucky the next move will be a realignment of exchange rates, effectively devaluing the pound. If it is unlucky something will trigger a nervous reaction in the markets. If that coincides with a growing premonition of defeat for the Conservatives, the government could quite quickly find itself in a sterling crisis.

We might therefore be facing a Conservative winter of discontent. That would have the same effect on the government as did Labour's equivalent in 1979. Yet it would be imprudent to forecast the impending arrival of a Labour administration. As my colleague Samuel Brittan pointed out yesterday, economic forecasts are notoriously difficult to get right. Political forecasts are even more unreliable.

All that can usefully be done is to indicate the present balance of advantage. This is plain. As we have seen, Mr Major's glass is half-empty. Ergo, Mr Neil Kinnock's is half-full. Mr Kinnock has the greater reason for Christmas cheer. Labour has been ahead of the Conservatives in 24 of the past 31 months, according to the weighted average of all polls calculated by the computer outside my door. Of the seven Conservative months, five can be explained by the December to April honeymoon, which started with Mrs Thatcher's downfall and ended with the conclusion of the Gulf war.

The Labour leader, who performed well in the Commons on Thursday, may be getting lucky. When it comes to public appearances, he is fortunate in his shadow chancellor, although not in his shadow foreign secretary. With Mr Major it is the other way round. Again, the prime minister's bouts of recovery on the tail of this or that foreign spectacular are invariably followed by a return to Labour leads as domestic politics re-emerges. Watch out for the gimmicks of desperation; they will be announced in the Budget, in March.

LETTERS

A funding problem

From Mr John Dick.

Sir, In the context of the current debate over the security of pension fund assets, it is paradoxical that the government should recently have introduced legislation which actually results in a reduction of the pension security of some employees.

When in 1989 an earnings "cap" was brought in limiting the pension benefits to be taken by employees joining tax-approved pension schemes, employers were permitted to provide "top-up" schemes for affected employees.

However, the tax rules for "top-up" schemes are so draconian as to make their funding prohibitively expensive. As a result, security for a pension is unlikely in practice to take the form of a segregated fund of assets and will generally consist of nothing more than the employer's promise to pay it when the time comes. The employee is completely dependent therefore on the continued financial health of the employer.

An increasing number of employees stand to be covered by "top-up" schemes, and a change in the law to facilitate their funding deserves serious consideration.

John Dick,
3 Temple Gardens,
London EC4

Housing rescue needs depositor safeguard

From Mr Victor Levy.

Sir, Lex quite correctly points out ("Building societies", December 19) the risks involved in implementing a hasty rescue package for home owners. Politically motivated solutions seek to overlook and override the real facts underlying today's housing crisis.

If the government is forcing lenders to provide cheap finance to alleviate the problems short-term, the government should also reassure the depositors now by providing a proper and full guarantee for funds invested. After all, it is the depositors whose funds are really placed in jeopardy. Without that, there could undoubtedly be a flight to quality out of the building societies and, of course, the last one to leave the party will pay the price – the British public and not the government.

Victor Levy,
Arthur Andersen & Co,
1 Surrey Street, London WC2

No existing pension backdating

From Mr Michael Elton.

Sir, Bryn Davies (letters, December 14) points out that a protocol approved at Maastricht may well relieve British industry of paying backdated equal pension benefits to men and women.

He is, however, quite wrong in saying that members of UK pension schemes have an existing right to backdated benefits under the Treaty of Rome.

Had the protocol not been approved at Maastricht, it would have been left entirely to the European Court of Justice to interpret its judgement of May 17 1990 in the Barber case and to decide whether equal benefits applied just to service after that date or to previous service as well.

As the court has not yet considered the matter, it cannot be true to say that the Maastricht protocol deprives members of UK pension schemes of an existing right to backdated benefits.

I should perhaps make it clear that the National Association of Pension Funds is entirely in favour of men and women earning equal pensions following the Barber judgment.

Michael Elton,
director general,
National Association of Pension Funds
12 Grosvenor Gardens,
London SW1

Mean reward for increasing student opportunities

From: Ms Vicky Seddon.

Sir, Andrew Adonis quite rightly points to the poor level of the pay offer about to be considered by lecturers in the Polytechnics and Colleges Funding Council Sector ("Polytechnic lecturers set to agree 5 per cent salary increase", December 13). It is a mean reward for those who have delivered the largest increase in student opportunities in post-school education. He omits to mention, however, some of the factors attaching to these difficult negotiations and the choices open to unions.

Kenneth Clarke has no official role in collective bargaining for lecturers. He has, however, withheld £13m from the institutions in a bid to get our employers to include in the pay offer a "flexibility" element for distribution entirely at the discretion of local managements and to re-open the agreement on staff appraisal and development made last year. This intervention was clearly aimed to create maximum disruption in the sector and to jeopardise national bargaining for all time.

Local negotiations are in train on the implementation of staff appraisal within the national framework agreed last year in the course of a major renegotiation of lecturers' conditions. NATFHE (the higher education teachers union) is not aware of any problems due to lack of flexibility in the institutions – the only problem is lack of recompense for staff achievements. What better proof of flexibility could there be than massive increases in student numbers and lecturers' unstinting work to deal with the enormous pressures that such increases in student numbers present?

The national NATFHE body representing higher education lecturers was quite clear on the strategy its negotiators should pursue. They wanted a pay only deal without discretionary elements and one that covered all groups of staff. The negotiators sought an offer that was fair in terms of pay comparators and reflected the contribution of lecturers to the expansion of student opportunity. The employers, however, refused to budge beyond 5 per cent, but they did drop both their bid to exclude certain groups of academics from any settlement and their attempt to reopen negotiations on the staff appraisal agreement. NATFHE is therefore putting this offer to its members as the best that can be achieved without strings and by negotiation.

Vicky Seddon
NATFHE
27 Britannia Street
London WC1X 9JP

Last chance for the Uruguay Round

From Mr Joseph D Connor.

Sir, the Uruguay Round of trade negotiations is entering a critical final phase in Geneva tomorrow. Governments will have until mid-January to make up their minds whether all the considerable progress made over five years is thrown to the winds or harnessed for the well-being of the world's economy and its people. The last chance is now.

In July, I led a delegation of the International Chamber of Commerce to see John Major, Britain's prime minister and the chairman of the G7 economic summit, in London. Our message to the summit on behalf of more than 1,000 companies and business organisations throughout the world was that the Uruguay Round must take top priority on the international economic agenda.

Success is vital, not only for the established industrial democracies, but particularly for the developing nations and the countries of central and eastern Europe which are striving courageously to liberalise their economies and expand their trade. At this major watershed in history, it would be the utmost folly to allow the Uruguay Round to collapse, thereby unleashing the short-sighted forces of protectionism.

Much of the world is at present mired in stubborn economic recession. Governments – and especially those of the G7 – should be under no illusion when their representatives meet in Geneva tomorrow: collapse of the Uruguay Round would be a body blow to business confidence, and hence to investment, jobs and living standards in the 1990s.

Heads of government must demonstrate to the world's business community that they have the political courage to make hard compromises which will bring the Uruguay Round to a successful conclusion.

Joseph E Connor,
president,
International Chamber of Commerce,
38 Cours Albert 1er,
Paris

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

FINANCIAL TIMES
Friday December 20 1991

EC backs HDTV strategy after French compromise

By Andrew Hill in Brussels

THE European Community yesterday set a liberal course towards high-definition, cinema-quality television (HDTV) after France finally agreed to compromise on future satellite broadcasting standards.

Telecommunications ministers unanimously backed a deal after an exhausting 15-hour round of negotiations spread over Wednesday night and yesterday morning.

Such is the sensitivity of the issue in France that Mr Jean-Marie Rausch, the telecommunications minister, had to telephone Mrs Edith Cresson, the French prime minister, before he could agree to the compromise, which goes against his government's more interventionist instincts.

Several loose ends remain to be tied up – notably the signing of a legally-binding strategy document by broadcasters and manufacturers – before the European approach to HDTV is fixed.

In a conscious effort to combat US and Japanese competition in the sector, yesterday's deal sets out compulsory transmission standards to be used for new satellite television services after January 1 1995.

It also safeguards satellite services already beamed into millions of European homes using non-HDTV standards. Broadcasters will be able to transmit in those norms indefinitely, with no obligation to broadcast simultaneously in the new standards.

Ministers have agreed to remove direct references to EC financial support for transmissions in the intermediate D2-Mac standard. D2-Mac is the first step towards HD-Mac, a full HDTV norm, and is inextricably linked in the EC legislation to broadcasts in a new wide-screen format.

Instead, Mr Filippo Maria Pandolfi, the EC telecommunications commissioner, has to come up with detailed proposals on financing, which he has estimated at Ecu1bn ($1.3bn) over five years. These plans – expected to involve incentives to broadcasters and satellite operators to use D2-Mac – will be in a separate directive, which must be approved unanimously by member states.

Both broadcasters and equipment makers yesterday gave the deal a guarded welcome, but agreed it would enhance the chances of their signing up to a parallel industrial HDTV strategy, to be based on a legally-binding memorandum of understanding.

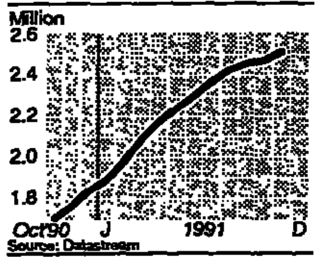
Private broadcasters have always argued against being compelled to transmit in D2-Mac, while EC electronics manufacturers, such as Philips of the Netherlands and Thomson of France, have pushed for restrictive legislation which would justify their heavy investment in the intermediate technology.

Philips said the decision was a step forward because the council had recognised the central importance of the D2-Mac standard. "We are satisfied with the outcome given the political constraints and we will now play a leading role in providing HDTV to European consumers," the company said.

The directive replaces a 1986 measure which expires on December 31 and was widely condemned for locking the EC satellite TV industry into technologies which were being overtaken.

The new legislation includes a strong element of flexibility. It will expire in 1998, with regular reviews up to that date, and it leaves open the possibility of digital HDTV – a fast-evolving alternative technology – competing with the Mac standards.

UK Unemployment



Source: Datastream

UK jobless total shows sharp rise to over 2.5m

By Peter Marsh, Economics Staff

EXPECTATIONS of an imminent UK recovery suffered a further blow yesterday with news of a sharp increase in unemployment in November. The rise took the total above 2.5m for the first time in nearly four years.

Last month's 38,900 increase in the seasonally adjusted jobless figure to 2.51m followed a rise of a revised 16,900 in October, and 32,300 in September.

The announcement of the 20th consecutive monthly increase in the jobless total added to the pressure on Mr John Major, the British prime minister, who needs clear evidence of an economic upturn in the run-up to next year's election.

The figure was nearly 10,000 above City of London expectations, and triggered fierce criticism of the government from its political opponents. Ministers, however, stuck with their contention that the economy is on the mend. They also drew comfort from separate figures indicating a slowdown in wage inflation and a rise in the number of vacancies advertised in employment centres.

Mr Michael Howard, the employment secretary, said that even though the monthly jobless figure was the highest since August, the rate of increase in people out of work had slackened.

Mr Tony Blair, Labour's employment spokesman, said the figures "shattered the misplaced complacency" of ministers about an economic rebound.

The Liberal Democrats said Christmas would be miserable for the 2.51m unemployed people – a figure which has risen by almost 1m since March 1990. The total last reached 2.5m in January 1988.

Good news for the government came in figures showing that the average earnings rose at an underlying rate in October of 7½ per cent, compared with the same month in 1990. The lowest year-on-year rate since 1986 followed rises for each of the three months up to September of 7¾ per cent.

This indicated that wage bargainers may be ready to concede lower settlements.

A Japanese whaling ship in Antarctica looms over an inflatable dinghy occupied by Greenpeace campaigners protesting against Japan's continued killing of whales. Their ship Greenpeace has been tracking the Japanese whaling fleet since late November

World economy faces slow growth, says OECD

By Peter Norman, Economics Correspondent, in London

THE WORLD economy faces months of sluggish growth and rising unemployment as it stages a weak recovery from this year's slowdown and recession, according to the Organisation for Economic Co-operation and Development.

In its latest Economic Outlook, it said activity in its 24 industrialised member countries was likely to gather pace from next spring and economic growth could run at an annual rate of about 3 per cent from around the middle of 1992.

Although the OECD does not believe the world is facing a new recession or the second stage of a "double dip" recession, the Paris-based organisation said the forces shaping the upturn were not strong.

Recovery in the US, Britain and Canada might not be firmly established until mid-1992, it said. In Germany and Japan, where previously buoyant growth has given way to a more muted economic activity, the OECD expects only a slight acceleration of activity in the second half of next year.

Mr David Henderson, the head of the OECD's economics and statistics department, told a press conference in Paris yesterday that the risk that world growth rates would be too slow had increased over the past 18 months. But he said there was, as yet, no need for economic policies to be recast. Elsewhere in the Outlook, the OECD:

- Reduced its projection for US growth next year to 2.2 per cent from 3.1 per cent forecast in the last Outlook in July;
- Hinted that Japan should be prepared to ease monetary conditions to combat unwanted deflation;
- Warned that German short- and long-term interest rates were unlikely to fall significantly before mid-1992;
- Forecast that the UK would rise from the bottom of the growth league of the Group of Seven leading industrial countries next year to around the middle of the G7 pecking order with growth of 2.2 per cent.

Details, Page 3
Editorial Comment, Page 14

European drug groups win patent extension

By Paul Abrahams *in London*

THE European Community last night agreed radical measures to extend the effective patent life of new pharmaceuticals in Europe by five years.

The controversial decision offers drugs companies billions of dollars of additional revenue. It should also encourage research into diseases such as Aids and Alzheimer's disease.

Ministers agreed, as a transitionary measure, that drugs already patented can also have their patent life lengthened. Individual member states may choose to fix the start-date for existing patents between January 1 1985 and December 31 1987.

The decisions follow intense lobbying by the pharmaceutical industry. When the extension, known as the supplementary protection certificate, was proposed, it was bitterly attacked by the European Generics Association, which represents manufacturers of non-patented pharmaceuticals. It warned the measure would keep prices of prescription drugs artificially high.

Yesterday's agreement, opposed by the Spanish and Italian ministers, was passed by majority vote. Spain, which has a small indigenous drugs industry, was anxious to keep down the cost of pharmaceuticals. France, a substantial pharmaceutical manufacturer, had been keen to extend the certificate by 10 years rather than five.

The measure is designed to counter trends that have reduced the time that companies can commercially exploit innovative products. The life of a patent is presently fixed at 20 years.

Expanding government regulation has meant it takes 12 years on average to bring products to market. Pharmaceuticals groups therefore have only eight years of effective patent life before identical but non-branded products can be sold by other manufacturers.

Drugs companies claimed the shortened effective patents discouraged research into cures for complicated or rare diseases. Remedies for Alzheimer's disease or Aids could take more than 12 years to develop and were therefore less likely to be profitable, they argued. European manufacturers pointed out that both the US and Japan passed measures extending effective patent life during the 1980s.

"Financially, yesterday's decision will be worth a lot to companies on a discounted cash basis," said Mr Jonathan de Pass, an analyst at stockbroker Barclays de Zoete Wedd in London. "It will, however, take a long time to work through to their bottom line."

Mr de Pass said companies with innovative new drugs would particularly profit from the decision. Glaxo, which has a large pipeline of new products, was one of the first companies that came to mind as a beneficiary, he said. He warned, however, that European governments may use the extension as an excuse to exercise greater control over pricing.

Governments are spending increasing amounts on pharmaceuticals as drugs become more expensive and populations continue to age. In France, for example, the Organisation for Economic Co-operation and Development estimates that drugs account for 16.7 per cent of healthcare spending.

Germany raises rates

Continued from Page 1

clear appeal to employers and unions to agree moderate wage settlements and help maintain monetary stability.

Mr Albrecht Schmidt, chief executive of Bayerische Vereinsbank, said: "The Bundesbank has gone to the limits of what is acceptable with these historically high rates."

He added: "Now the wage negotiators know where they stand." The slowdown in the German economy would be accentuated by the move, he said. It also showed that worries about the stability of the currency after this month's EC summit in Maastricht had been removed.

Mr Schlesinger said yesterday's rate rise was not a reaction to Maastricht, but the Bundesbank sought separately to allay fears among investors and savers that monetary union could endanger stability through the disappearance of the D-mark.

European stock markets fell sharply on news of the rates rise and Wall Street opened uncertainly. The Dow Jones industrial average fluctuated between small gains and losses

Yeltsin moves on Kremlin

Continued from Page 1

and hunger if a common economic space and financial institutions are not preserved.

Mr Gorbachev called for the new Commonwealth - to have international political recognition, and asked that it should retain the Soviet seat on the UN security council.

Mr Yeltsin has already suggested that the seat pass to Russia with all other Soviet property - a contentious position with other presidents of the republics.

The Alma Ata meeting is shaping up to be as much a divisive as a creative affair.

Mr Alexei Kireyev, a presidential economic adviser, said yesterday that "Russian imperialism", where Russia dictates the pace and scale of reforms and other states dare not disagree, was now the most likely future course – the probable alternative being economic, or real, wars between the republics.

The only exception to those agreeing to accept Russian hegemony may be Ukraine, the next biggest state, whose president, Mr Leonid Kravchuk, is under mounting pressure not to take part.

THE LEX COLUMN

Marching to the German drum

What a difference a quarter point makes. Had the Bundesbank only raised the Lombard rate by 0.25 percentage points the markets could probably have shrugged it off. By going for half a point instead, the bank has aggressively stated its resolve to throttle inflation regardless of the international consequences. Since the German squeeze is likely to be protracted, Mr Major looks in need of luck to hold base rates at their present 10.5 per cent between now and the election.

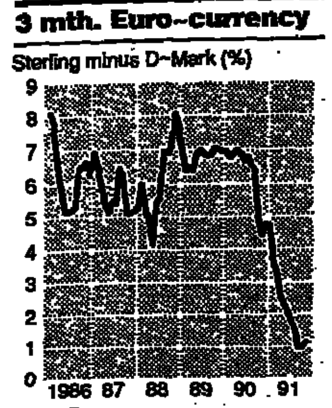
France is under the most immediate rate pressure, as its interest structure is again below that of Germany. With its wider bands, sterling has some room for manoeuvre. At yesterday's close of DM 2.8575, it is still over two pfennigs above its current peseta-determined floor, which in any case is likely to sink as the peseta weakens with other European currencies.

The authorities also have plenty of ammunition to intervene in the short run. But there is no escaping the medium-term risk of an interest differential with Germany of only three quarters of a point, especially given the political risk surrounding sterling. If France does raise its rates, Britain will look even more exposed.

A realignment originating in Europe and dressed up as a D-Mark revaluation would certainly let the UK off the hook. Germany, it seems, would not object. But it is leaving it up to its European partners to raise the matter, and no-one wants the humiliation of being the first to ask. Mr Lamont was again trying to talk sterling up last night, but there is a whiff of electoral desperation in the air. The louder politicians speak in support of their currencies, the more they invite speculative attack.

FT-SE Index: 2,391.6 (-22)

3 mth. Euro-currency



Source: Datastream

UK housing

The UK government's efforts to prop up the housing market look increasingly desperate. The chancellor's latest throw of the dice – abolishing stamp duty on most purchases for the next eight months – confirms the impression of a party running for the polls. If the market was not stimulated by last month's 1 per cent fall in the Halifax price index, one wonders why another discount of the same magnitude will suddenly do the trick. Moreover, experience of the ending of double mortgage tax relief in August 1988 suggests that artificial deadlines are often followed by nasty hangovers.

If yesterday's package was the signal for a more fundamental conversion to social housing, the market would do well to take note. Competition from a more vigorous rented sector would dent hopes for renewed asset price inflation. But the prospect of more council housing, for instance, would certainly improve the outlook for the distressed contractors. It would not do to count on it. By lending its weight to a rescue in the first place, the government seems to be conceding its part in encouraging debt-driven asset speculation in the latter half of the 1980s. By bailing out its imprudent supporters – and introducing fiscal incentives – it appears to have departed from the principles on which it was elected. On this basis, tax relief for mortgages up to £60,000 seems only a matter of time.

British Gas

British Gas was putting a brave face on it yesterday, but has clearly come off second best in its battle with Ofgas over competition in the industry. Not only will the company reduce its share of the industrial market from four fifths to two fifths by 1996. It has also agreed to hive off its transportation business, initially as a separate unit within the group. It all smacks of sweeping rather than creeping regulation.

The proposed deal with the Office of Fair Trading includes an attempt to pull something out of the hat in the form of a fresh review of the recent domestic price formula. But given how quickly Ofgas has indicated that it intends to play rough, British Gas has perhaps embarked on a risky strategy. Without further compromise, the competition authorities will presumably have to be called upon after all, which presents the company with an even bigger threat.

The galling thing for British Gas is its powerlessness to protect what it sees as its shareholders' interests. Given Ofgas's determination to tackle the very structure of the UK gas industry and the emerging evidence that it has the powers to do so, the only reason for investors to hang on to the shares is the chance of a break-up. The thought occurs that the regulator of UK telecoms could easily put BT in a similar bind. Shareholders in privatised utilities have been served notice yet again.

Markets

The rally which brought the FT-SE back above the danger level of 2,400 has lasted less than a fortnight. Prodded on by the Bundesbank, the market is becoming ever more nervous on the shakier domestic stocks: Asda, Ratners and the weaker builders, for instance. The worry extends beyond the threat to consumer spending from higher interest rates. Yesterday's figure of 2.5m UK unemployed remained at odds with the picture on average earnings. On an annualised three-month basis, unit wage costs in manufacturing in October were up 6.2 per cent. Manufacturing output prices on the same basis were up 5.5 per cent. If manufacturers are relying on the dole queue to restore their margins, they will have some time to wait.

Takeovers

The Trade and Industry Committee's report on takeovers is doubtless right to point out that UK policy is muddled in many respects. But its recommendations seem unlikely to reach the statute book, at least under the present government.

Some are sensible: for instance, that the 30 per cent bid threshold should be reduced. Others are merely pious, such as the idea that companies should produce better reports and talk more to institutions. Others again seem odd in a London context, such as the notion that an unsuccessful bidder should cough up half the target's defence costs or that the target's shares should be suspended for three weeks after publication of the offer document. The real interest of the report, perhaps, lies in suggesting how all-party thinking might evolve in the event of a hung parliament.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	14	57	Berlin	R	3	37	Caracas	C	27	81	Faro	S	18	64	Islamabad	C	20	68
Algiers	F	16	61	Biarritz	Dr	13	55	Casablanca	S	17	63	Florence	S	8	46	Istanbul	F	9	48
Amsterdam	C	10	50	Bombay	S	30	86	Chicago	F	-14	7	Frankfurt	R	7	45	Jakarta	R	32	90
Athens	F	13	55	Bordeaux	C	13	55	Cologne	C	11	52	Geneva	C	6	43	Jersey	Dr	11	52
Bahrain	S	16	61	Boulogne	Dr	10	50	Copenhagen	R	3	37	Gibraltar	S	16	61	Johannesburg		-	-
Bangkok	F	31	88	Brussels	R	11	52	Corfu	R	9	48	Glasgow	R	7	45	Lima	C	24	75
Barcelona	S	13	55	Budapest	S	4	39	Dallas	R	6	43	Helsinki	Sn	1	34	Lisbon	Fg	10	50
Beirut	C	16	61	Buenos Aires	F	31	88	Dublin	S	9	48	Hong Kong	S	21	70	London	R	13	55
Belfast	R	6	43	Cairo	F	19	66	Dubrovnik		-	-	Innsbruck	Sn	0	32	Los Angeles	S	13	55
Belgrade	C	4	39	Cape Town		-	-	Edinburgh	C	6	43	Inverness	F	6	43	Luxembourg	Dr	7	45

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	C	19	66	Milan	S	10	50	Nicosia	F	17	63	Salzburg	R	2	36	Tenerife	F	20	68
Madrid	Fg	3	37	Montreal	S	-21	-6	Oporto	C	12	54	San Francisco	S	7	45	Tokyo	C	11	52
Majorca	S	17	63	Moscow	C	-4	25	Oslo	Sn	-2	28	Seoul	C	6	43	Toronto	S	-17	1
Malaga	S	16	61	Munich	Sl	2	36	Paris	C	11	52	Singapore	R	26	79	Tunis	F	16	61
Malta	S	15	59	Nairobi		-	-	Peking	S	1	34	Stockholm	C	2	36	Valencia	S	16	61
Manchester	F	10	50	Naples	S	12	54	Prague	Sl	1	34	Strasbourg	C	8	46	Venice	S	5	41
Manila	F	32	90	Nassau	C	27	81	Reykjavik	C	-4	25	Sydney	S	22	72	Vienna	F	4	39
Melbourne	C	20	68	New Delhi	S	21	70	Rhodes	R	13	55	Taipei	R	23	73	Warsaw	C	2	36
Mexico City		-	-	New York	S	-5	23	Rio de Janeiro	C	28	82	Tangier	S	16	61	Washington	S	-7	19
Miami	C	17	63	Nice	S	13	55	Rome	S	13	55	Tel Aviv	S	13	55	Zurich	R	5	41

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

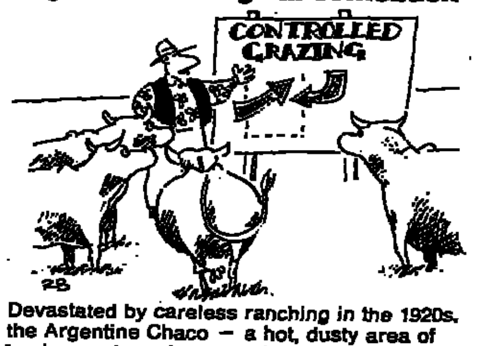
Key board changes at Royal Insurance

Royal Insurance, the weakest of the UK's composite insurers, yesterday named Mr Richard Gamble as its new chief executive, and announced a number of other board changes. Mr Roy Elms, a former head of the group's successful Canadian subsidiary, had been appointed to the new post of group underwriting director and also joins the board. Further restructuring is expected in the New Year. **Page 23**

Love and hate in Basle

The love-hate relationship between Basle and large Swiss chemical companies took a turn for the worse this week when Sandoz and Ciba-Geigy announced plans to cancel R&D projects for the city. **Page 20**

Argentine ecological comeback



Devastated by careless ranching in the 1920s, the Argentine Chaco – a hot, dusty area of bush, woods and savannah – has made something of an ecological comeback. Supporters of a comprehensive range-management programme now claim the area can sustain a small but profitable agricultural community. But with new tracts of the area opened up by the Trans-Chaco highway, scientists hope to avert another disaster by converting settlers to environmentalism before they destroy the Chaco a second time. **Page 28**

Another unkind year

Fate has been unkind to the Japanese stock market this year. The market's failure to recover from stock scandals, a fall in business confidence and instability in the Soviet Union has shocked traders and fund managers alike. With Japanese equities now entering a third year of weak prices, domestic investors are trying to come to terms with the longest post-war correction. **Back Page**

Cleaning up Frankfurt's image

Recent allegations over dividend stripping have added weight to the growing demands for tougher regulation of the German securities markets. Many senior German bankers now agree that the sullied image of the Frankfurt bourse must be cleaned up if Germany is to retain its appeal as a place for international bankers and brokers to do business – and a place in which international fund managers feel happy to invest. **Page 21**

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Lahmeyer	730	+	21.5
Falls			
AG Ind&Verk	620	−	16
BMW (Br)	474	−	11
Hochtief	990	−	23
Linotype-Hell	290	−	9

NEW YORK ($)			
Rises			
Advanced Micro	16 5/8	+	1 5/8
Boeing	42 3/4	+	3/4
Falls			
Amdahl	12 3/4	−	3/8
Ford Motor	24 1/2	−	1/4
Gen Motors	27 3/8	−	3/8
USAir	10 5/8	−	1/4

PARIS (FFr)			
Rises			
Nav Mixte	1218	+	38
Perrier	1304	+	36
Falls			
AGF	434	−	31
Eurafrance	1250	−	53
Suez	289.9	−	10.2
UFB Locabail	230	−	14.2

TOKYO (Yen)			
Rises			
Tokyo Leasing	1590	+	130
S T Chemical	1650	+	190
Falls			
Nippon Carbon	2990	−	290
Sanrio	1790	−	170
Sodick	1440	−	130
Toa Paint	860	−	79

New York prices at 12.30.

LONDON (Pence)			
Rises			
Cosalt	150	+	6
Dowty	149	+	13
Electronic Data	289	+	13
Marley	93	+	4
Spring Ram	137	+	4 1/2
Utd Scientific	47	+	7
Falls			
APV	118	−	7
Burmah	462	−	25
Dixons	196	−	7
Glaxo	798	−	14
Hillsdown	157	−	13
ICI	1139	−	21
Kingfisher	477	−	11
Laing (J)	176	−	11
Lasmo	230	−	15
Micro Focus	1478	−	35
T & N	107	−	6
Trafalgar	146	−	11
WPP	39	−	4
Wace	164	−	14

IRI creates new group in shake-up

By Robert Graham in Rome

IRI, the Italian state holding company, has re-grouped its civil engineering, construction and industrial plant enterprises under the umbrella of Iritecna.

The move, which follows years of negotiations, will create in Iritecna a group with a turnover of L8,000bn ($6.7bn), orders of L16,000bn and a 25,000-strong workforce.

As of January, Iritecna will become the second-largest general contracting group in Europe after France's Bouygues.

Iritecna was formed a year ago as a holding company specifically to absorb the combined interests of Italstat, IRI's civil engineering and construction arm, and Italimpianti, its industrial plant group.

The rationalisation has been pushed for by Mr Francesco Nobili, president, in the face of the challenges of the single European Community market after 1992 and increasing world competition.

However, the project has had to overcome stiff resistance from Italy's political parties, who feared the loss of patronage. Italstat, in particular, operates in one of the most politicised sectors of the economy and has long lived off scarcely competitive government contracts.

Iritecna's board retains a careful balance of political power. The titular head is Mr Carlo Lavezzari, an industrial engineer and former Christian Democrat senator friendly with Mr Giulio Andreotti, the prime minister.

The executive side of Iritecna will be run by Mr Mario Lupo, a Liberal, backed by two managing directors, Mr Fulvio Tornich, a Christian Democrat nominee, and Mr Ernesto Schiano, proposed by the Socialists.

To carry out the merger, IRI was obliged to clean-up both companies' books and make a write-down of L172bn which has been subsequently replenished.

Among potential losses to be accounted for were a seamless-steel pipe plant at Volsky in Russia, a steel plant at Isfahan, and the port at Bandar Abbas, both in Iran.

IRI, however, is still hoping to be paid some $205m by the Iranian authorities.

IRI officials played down the significance of press reports that losses of up to L700bn would have to be absorbed on to IRI's consolidated balance sheet.

The writedowns were reportedly in part to ensure that any asset revaluation did not fall foul of the Treasury's tax demands which still heavily penalise revaluations in mergers.

Yesterday, IRI approved a nominal capital of L2,500bn for Iritecna and a paid-up capital of L2,055bn.

IRI acquired direct control of Italimpianti in 1988 and the group contains more than 20 companies in Italy and abroad. Its interests span agro-industry, systems and environment, metallurgy as well as engineering and general contracting. Before the merger, Italimpianti had net assets of L1,888bn. This year's revenues are expected to be L2,495bn.

Italstat has more than 100 companies affiliated or as direct subsidiaries. Before the merger it was capitalised at L1,440bn, but with net assets of only L265bn.

It is assumed the rationalisation will lead to substantial redundancies.

Exor may be forced into Perrier bid

By Alice Rawsthorn in Paris

THE AGNELLI family's attempt to take over Exor, the holding company for Source Perrier, the French mineral water group, took a new turn yesterday when Paris bourse authorities held up a go-ahead on its offer in case Exor is obliged to bid for Perrier.

During the day the French stock market authorities issued a series of statements on the affair.

It all began when the Commission des Operations de Bourse (COB), which runs the Paris stock market, delayed giving the go-ahead to the Agnellis's offer.

Yesterday morning, the Conseil des Bourses de Valeurs (CBV), the French stock exchange regulator, announced that Exor and two other companies – Geneval, controlled by the Mentzelopolous family, Exor's founders, and Société Générale, the bank – would be forced to mount a bid for 66.8 per cent of Perrier.

This followed the discovery that the three had acted in concert to raise their holding in Perrier to more than 33.3 per cent on May 30 last year.

Under French law, if an investor holds more than one-third of the shares in a company, it must bid for two-thirds of the equity. A full bid is only triggered if the investor owns more than 50 per cent; in the UK, a full bid is mounted once the investor passes 30 per cent.

If Exor and its partners were forced to take control of Perrier, it is not clear what the Agnellis' position would be.

Earlier this month, the Agnellis – who originally proposed buying just two-thirds of Exor through Ifint, their Luxembourg-based holding company – extended their bid to cover the rest of the shares, following complaints from minority shareholders.

The Agnellis are believed to be eager to go ahead with the Exor bid on their original terms. However, if Exor took a controlling interest in Perrier, this would affect its valuation, casting doubt on the prospects for the Agnelli offer at the present price.

If the Agnelli offer did not succeed, it could mean a battle for control of Perrier.

The situation is further confused because, under French law, Exor and its partners would be entitled to be exempted from launching an offer for Perrier under certain circumstances.

These include issues such as the control of company. Paris analysts yesterday speculated that Exor might secure an exemption because its appointees occupied more than half the seats on the Perrier board on May 30 and for some time before.

"The situation is very, very complicated," said Mr David Harrington, an analyst at James Capel in Paris. "We won't know the final outcome until we know if Exor and its partners will be forced to bid."

US computer group's recovery plan has European flavour, says **Alan Cane**

Compaq seeks inspiration abroad

Compaq, the US personal computer maker, seemed unstoppable a year ago. Its 1990 results suggested it had shaken off the dampening effects of a moribund computer market in the US and some parts of Europe.

Sales, at $3.6bn, were 25 per cent up on the previous year; net income improved 32 per cent to $455m. Wall Street was cheered enough to lift the share price over the $70 mark.

Now it is clear the company was on the crest of a wave, poised to crash into a trough.

In October this year the company reported its first-ever quarterly loss, taking a $135m restructuring charge after announcing it was making 12 per cent of its workforce redundant.

Among the 1,700 or so people who left was the company's founder and chief executive, Mr Joseph "Rod" Canion, sacked after a boardroom dispute over the best way to restore the company's fortunes. The share price is now around the $25 mark.

"It all happened in two quarters; that is what is so incredible," says Mr Canion's successor, German-born Mr Eckhard Pfeiffer, a former head of Compaq Europe.

Compaq took four hits in those six months. The market for personal computers slowed and a price war erupted as new manufacturers came in with low-cost products and distribution methods. Compaq's dealer chain fell apart in the second quarter as market conditions forced mergers involving eight of its 10 main dealers. And the rapidly strengthening dollar hurt sales outside the US.

Eckhard Pfeiffer

There is a European flavour about this US company's recovery plans. In addition to Mr Pfeiffer, Mr Gian Carlo Bisone, formerly marketing vice-president for the company's European division, has been promoted to vice-president for corporate marketing.

Mr Andreas Barth, now European head, explains the approach: "We built Compaq in Europe as a series of local companies each with its own culture, environment and profit and loss responsibilities," he says.

"Each country organisation has its own sales and marketing staff – everything, in fact, apart from research and development. It enables them to be very close to the market. In the US, in contrast, everything is centred on headquarters in Houston."

US industry observers question, however, whether a "European" solution for Compaq is valid and ask whether Mr Pfeiffer properly understands the US market.

He arrived as chief operating officer at the beginning of the year primed with the knowledge that Europe had provided virtually all the company's growth in 1990; he started cutting capital spending and slowed staff recruitment.

Compaq's past success has been achieved largely at the expense of International Business Machines, the world's largest computer company. But Compaq ignored the second and third tier manufacturers who are now stealing its market share with lower-priced computers.

Compaq aimed to be faster to market with new personal computer technology: it demanded premium prices for top quality products and sold only through dealers to avoid conflicts with a direct sales force.

Then two years ago the market changed decisively and now Compaq's predicament mirrors that of its larger rival. Both misread the market and lost touch with their customers. Both are undergoing profound restructuring to restore competitiveness. Both have to cut costs drastically.

Compaq's chief problem is that its products are too expensive for a market which has suddenly decided that paying for the best is not always necessary.

Compaq in Europe has abandoned price lists; it now suggests a "typical buying price". Mr Bisone said that a customer would be paying between 30 and 35 per cent less now for Compaq personal computer than at the beginning of the year.

The company's new competitors, however, have been quick to exploit novel and low cost methods of distributing their products – mail order and superstores, for example.

Compaq's managers agree there is no question of yielding the low-cost end of the market to the new competition: "If they achieve market share" Mr Pfeiffer says, "you have them as competitors for the longer term".

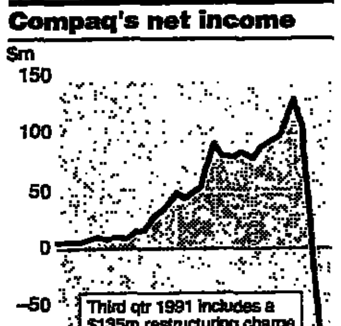
Compaq's plan therefore is to create new designs which can be manufactured at less cost, probably in Compaq's Hong Kong plant. An alliance with an Asian manufacturer is also a possibility. The aim is to have the most aggressive entry-level product in each range.

The recovery plan, implemented by Mr Bisone, includes repositioning Compaq as a brand. A newly appointed advertising agency will mount an aggressive campaign in the New Year to reinforce Compaq's quality image. The company will also develop a range of distribution channels.

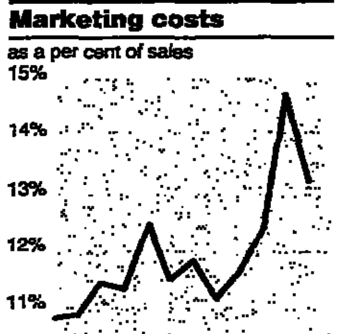
Finally, to make the company more accessible to its customers, rather than leaving support and assistance to its dealer chain, there will be more telephone "hot lines" and a greater emphasis on knowing who the customers are.

Mr Pfeiffer is quietly confident about the future but 1992 is certain to test him to the limit. Cost-cutting measures alone will not be enough to restore Compaq's reputation as the PC maker which sets the standard by which others are measured.

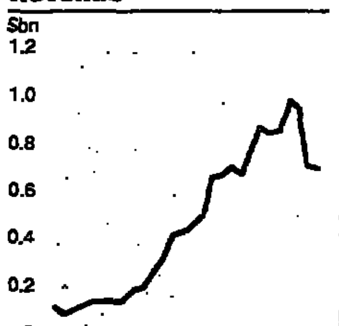
Compaq's net income



Marketing costs



Revenue



Christie's directors take pay cut

By Antony Thorncroft in London

THE MAIN board directors of Christie's, the international auction house, are taking a 20 per cent cut in their salaries to help see the saleroom through the global recession in the fine art market. Turnover in the autumn season was £266m ($485.4m), a 20 per cent reduction on the corresponding period of 1990. Overall sales in 1991 were £580m compared with £1.1bn in 1990.

Mr Christopher Davidge, managing director of Christies International, announced a comprehensive cost-cutting package which leads from the top. The salaries of directors and senior managers are frozen, and other managers and staff will receive a cost of living increase in January to be suspended until July.

only consolation for Christie's was that its arch rival, the US-owned Sotheby's, announced a marginally worse performance. Its autumn turnover of $566.3m was 25 per cent lower than in 1990 and its annual sales figure of $1.1bn was down nearly 55 per cent on a year ago.

The main reason for the fall in turnover was the collapse in demand for post-1870 art, in particular for Impressionist and modern pictures.

More sophisticated marketing campaigns by Sotheby's and Christie's attracted new buyers to this sector of the market, particularly the Japanese. In the 1989-1990 season, the sector accounted for more than 50 per cent of the turnover of both auction houses. It has now fallen back to nearer 25 per cent.

However, the traditional collecting areas – Old Master pictures, furniture, silver, and jewels – have held up well during the recession. Christie's reported that sales of Old Master pictures in the autumn were 68 per cent higher than in 1990, culminating in a record auction for this sector last Friday of £22.3m, with Titian's Venus and Adonis selling for £7.4m, the highest price paid for a painting in a saleroom in 1991. Earlier in December the Messer collection of furniture brought in £7.7m, a record for a London furniture sale.

Sotheby's has had successes, particularly with decorative art which accounted for 55 per cent of turnover in 1991 against 38 per cent. It held its market lead with 52 per cent of sales against Christie's 48 per cent.

The market was slightly firmer in the autumn mainly because auction houses were persuading vendors to accept lower reserves.

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Taurus poised to clear final hurdles

By Richard Waters in London

THE UK government appeared yesterday to have finally overcome legal obstacles to the introduction of Taurus, the London Stock Exchange's much-delayed computer settlement system.

After more than a year of effort by Department of Trade and Industry lawyers, formal regulations were laid before Parliament which would create the legal framework necessary for Taurus.

At the same time a safeguard for personal shareholders, which had been built into the Taurus system at the request of ministers, has been dropped.

Investors would have had to quote confidential 13-digit personal authorisation codes before being able to deal in their shares.

This requirement has now been judged too cumbersome for the small amount of extra security it would have brought.

Instead, shareholders will be able to tell the registrars who maintain their shareholdings only to transfer their shares after they have received written instructions.

This extra level of security will only be available to investors who specifically request it.

The legal changes tabled yesterday are needed because share certificates and transfer forms, currently required by law to give evidence of title and enable an exchange of title to take place, will cease to be produced under the new, paperless system of share ownership and dealing.

In a significant change of approach, the regulations are considerably less detailed than the complex draft version published in the summer. Instead, many matters of detail will be left to the stock exchange, which must produce its own rulebook for Taurus users.

Subject to approval from both houses of Parliament, the regulations are expected to be adopted by the end of January.

That would give listed companies with annual meetings in the spring enough time to prepare amendments to their own articles of association to put to their shareholders, enabling them to be ready if Taurus meets its earliest target date of April 1993.

The difficulty of fitting Taurus into the current framework of UK company law was one of the reasons given for early delays to Taurus, which had been due to come into force two months ago.

Setback for S-E Banken Skandia stake plan

By Robert Taylor in Stockholm

SWEDEN'S central bank advised the country's government yesterday not to approve Skandinaviska Enskilda Banken's proposal to acquire a 4.9 per cent stake in Skandia, the country's leading insurance company.

The bank said S-E Banken – the largest commercial bank in the country – had failed to make clear why it wanted to make such a purchase. It lacked a plan of how its involvement in Skandia would be integrated into its other business activities.

Under 1990 legislation, Swedish banks are allowed to acquire shares in insurance companies, but only under specified conditions.

The central bank's decision is a further setback for S-E Banken, which acquired a 28.2 per cent share option in Skandia in October last year and decided only last month to sell all but 4.9 per cent of its option to Uni Storebrand, the Norwegian insurance group, and Hafnia Holding, the Danish insurance company.

The central bank was asked for its opinion on SEB's share option purchase by the country's bank inspection board.

USAir signs agreement to manage Trump Shuttle

By Nikki Tait in New York

USAIR, the sixth largest US carrier, said yesterday it had signed an agreement in principle to manage the Trump Shuttle, the east coast airline operation which Mr Donald Trump acquired two years ago.

The agreement was signed with the Trump Organisation, holding company for the heavily-indebted businessman, and the group of banks which lent money to help fund his $365m purchase of the service, which flies between Washington, New York and Boston. USAir's announcement came only minutes after American Airlines, one of the three biggest US carriers, said it had ended similar discussions.

USAir, which is making heavy losses, said although details of the management agreement were still being worked out, it would include an option to purchase the shuttle after five years.

The Trump Shuttle was bought by the New York-based property developer from Eastern Airlines in 1989, with Citibank providing $380m in loans for the deal. Since then, there has been acute financial pressures on the Trump Organisation, and the Shuttle's future has been uncertain for well over a year. Attempts to sell the operation at anything like the 1989 price proved abortive.

Earlier this year, the banks planned to repossess the Shuttle as part of a general reorganisation of Mr Trump's personal debts, and pass operational management to Northwest Airlines. However, the deal fell apart in September. American subsequently disclosed that it was considering a replacement management deal, as did other parties, including USAir.

The rival shuttle operation, formerly owned by Pan Am, has already been sold to Delta Air Lines. Separately, Delta disclosed that it planned to take a $50m write-off in its second financial quarter to cover expenses related to its role in Pan Am's failed reorganisation efforts.

Canal Plus beats downturn

By Alice Rawsthorn

CANAL PLUS, the French pay-TV channel which recently abandoned plans for a merger with the Havas media group, has lightened the gloom in France's depressed television industry. The company yesterday forecast higher-than-expected profits of FFr1.05bn ($190m) for 1991, compared with FFr910m for 1990.

Mr André Rousselet, president, quelled speculation that his station would rescue La Cinq, the troubled French TV channel fighting for survival.

La Cinq's staff yesterday staged a 24-hour strike over a radical rationalisation package – involving 292 job losses among a permanent staff of 537 – announced this week.

Canal Plus had been seen as a possible "white knight" for La Cinq, which on Tuesday admitted it was heading for losses of FFr1.12bn this year. Hachette, the heavily-indebted media group that runs La Cinq, has been desperately searching for new investors. Hachette has held talks with Canal Plus.

Mr Rousselet, however, yesterday ruled out any potential involvement by Canal Plus with La Cinq.

La Cinq has, like other French TV stations, been hit by the downturn in the advertising market. However, Canal Plus which, as a pay-TV station, derives most of its revenue from subscriptions, has remained resilient.

E German motorcycle maker to be restructured

By Leslie Colitt in Berlin

MOTORRADWERKE zschopau (MZ), the east Germany motorcycle producer, is to be placed in voluntary liquidation and restructured, the Treuhand privatisation agency said.

MZ's market in eastern Europe collapsed after the Deutsche Mark was introduced to east Germany last year. Of the 70,000 MZ motorcycles which were to have been sold this year, only 15,000 found buyers.

Despite liquidity guarantees by the agency of more than DM70m ($44.3m), the company suffered losses of DM66m in 1990-91 on turnover of DM102m. Fifty companies around the world were approached but showed no interest in a takeover.

The company, employing 1,200 people, is to be restructured by a west German lawyer who served as a successful liquidator in the restructuring of a large west German company.

● East Germany's largest paper plant, at Schwedt on the Oder river, is to be sold by the Treuhand to a consortium which includes the East German Investment Trust of Edinburgh.

Von Roll cool on 22.8% investment by Proventus

By Ian Rodger in Zurich

THE REVELATION this week by Proventus, the Swedish investment group, that it had accumulated a 22.8 per cent stake in the Swiss steel and engineering group, Von Roll, did not come as a complete surprise in Swiss financial circles.

Swiss stock market analysts said it had been evident for some months that someone was accumulating Von Roll shares, and this was not the first time the shares had been in play.

However, as the minimal impact on the depressed share price shows, no one expects the stake to have much effect on the company for some time. And with reason.

For one thing, Von Roll's bylaws stipulate that no individual shareholder can exercise more than 3 per cent of the votes, and the company has made clear that it will not allow Proventus to exceed that figure.

Von Roll's reaction to the investment has been cool. "It is not a bad thing. It proves that some analysts are interested in Von Roll," the company said yesterday.

Proventus had made contact with Von Roll "a few weeks ago", but had not yet asked for a seat on the board, it added.

The Swiss company's prospects do not look particularly bright in the near-term. It is probably best known at the moment as one of the companies that was accused by the Swiss authorities in March of exporting military components to Iraq, thought to be for use in the infamous "super gun".

It is a traditional metals group with a lot of mature products. Nearly 30 per cent of its sales come from steelmaking, another 16 per cent from castings and pipes, and the remainder from other mechanical and engineering businesses. Most of these businesses are suffering in the recession.

Attempts to expand into higher value added products in recent years have not been too successful.

Pre-tax profits have tumbled from SFr105m in 1988 to SFr76m ($54.6m) last year and are generally expected to be much lower in the current year. Sales were down 11 per cent in the first half of the current year – to SFr1.07bn.

Proventus said its investment, worth SFr76.5m, was made with a view to the long-term, and some analysts believe that could pay off.

"In three to five years Von Roll could be showing some good results," says Mr Daniel König of bankers Pictet & Co. Also, the bearer shares at SFr900 yesterday, trade below stated net asset value of SFr2,021 at the end of last year.

CBOT lags but CME hits record

By Barbara Durr in Chicago

THE two largest futures markets, the Chicago Board of Trade and the Chicago Mercantile Exchange, are winding up 1991 on considerably different notes.

Trading volume at the CBOT, the world's largest and oldest futures exchange, is running about 11 per cent behind last year. The drop reflects a fall of almost 11 per cent in activity in US Treasury bonds, the world's most heavily traded futures. Bond futures and futures options account for three-quarters of the CBOT's total trading volume.

With its principal product having an off-year, exchange officials were incensed by a recent suggestion by Mr Nicholas Brady, US treasury secretary, that his department is studying a halt of issuing the 30-year US bonds. CBOT officials immediately complained that such a decision would cripple the CBOT.

In addition, some of the exchanges' newer products have flopped. Interest rate swap futures are floundering and its Topix index and Japanese government bonds futures are not trading.

At the CME, officials are crowing that with several days yet to go the exchange has already set a yearly trading volume record of 104.9m contracts. Volume is running over 4 per cent above last year.

It has surpassed any other exchange in the world for the number of contracts outstanding, or open interest, of more than 3m contracts.

With volatility in short-term interest rates and currencies, trading has been heavy in the those products. D-Mark and Eurodollar futures and futures options have led the pack.

Open interest in Eurodollar futures and futures options has hit record levels.

PPG Industries joins Asahi in China venture

PPG Industries, the biggest vehicle and industrial coating company and second biggest producer of glass fibre, has formed an alliance with Japan's Asahi Glass to develop a flat glass business in China, writes Karen Zagor in New York.

Tokyo-based Asahi will acquire a 50 per cent stake in a PPG subsidiary, Pennvasia, which in turn holds a 50 per cent stake in China's Guangdong Float Glass.

US-based PPG said Asahi will help manage and operate Pennvasia and GFG and will contribute additional technology and marketing strengths.

AMD lifts sales of clone Intel chip

By Louise Kehoe in San Francisco

ADVANCED Micro Devices is rapidly expanding sales of its "clone" of Intel's top-selling microprocessor chips, challenging the latter's dominance of the market for personal computer "brain" chips, and boosting projected revenues for the current quarter.

AMD's stock price rose yesterday, when the semiconductor manufacturer announced it expects to have sold 2m of the 386 microprocessor chips by the end of the year, just nine months after their introduction.

AMD shares gained $1⅝ to trade at $16⅝ yesterday morning. Intel declined almost 5 per cent to $42¾, down from Wednesday's close of $44⅞.

"Unexpectedly strong demand for the Am386DX products, coupled with continued strong demand for Am386SX devices, should result in total revenues from Am386 family products increasing in the current quarter to over $120m, more than double last quarter's $59m," said Mr W. J. Sanders, AMD chairman and chief executive.

"Total corporate sales will substantially exceed AMD's previous quarterly record of $325m, producing operating results well in excess of securities analysts' current expectations," Mr Sanders said.

Intel, however, is expanding sales of its next generation 486 microprocessor and is expected to launch a more powerful 586 version next year to maintain its lead over competitors.

Intel and AMD, Silicon Valley rivals, have been locked in a bitter dispute for more than four years over AMD's claimed rights to manufacture Intel-designed microprocessors. An arbitrator appointed by the companies to resolve the dispute is expected to issue his final ruling within the next three weeks.

The outcome of the case could have a significant impact upon the growing competition in the personal computer microprocessor market.

MAN expects to maintain DM12 dividend

MAN, the Munich-based engineering group, yesterday said it was likely to hold its dividend at DM12 per share in the current year, writes David Waller in Frankfurt.

This was further demonstration of the group's confidence in the face of a steep fall in profits growth after four successive years in which earnings have grown at 20 per cent a year.

Following remarks last month that the growth in profits in the year to June would be in single figures, Mr Klaus Götte, chief executive, reiterated that for the current year they would be at least as high as the DM406m ($256.9m) made in 1990-91.

Vancouver operator seeks BP mine deal

ROYAL OAK Mines of Vancouver will lift its gold output by almost two-thirds with a tentative agreement to buy the mothballed Hope Brook mine in Newfoundland from BP's Canadian subsidiary, writes Bernard Simon in Toronto.

Royal Oak has signed a letter of intent to pay for the acquisition by issuing 5.5m shares, worth C$7.7m (US$6.7m) at present market prices. In addition, it will pay a sliding-scale royalty when the mine is operating and gold prices are above US$380 an ounce. For instance, the royalty will be set at C$1m a year at prices up to US$425 an ounce.

Repayments on a C$14m loan from the Canadian government will be made only if the bullion price rises above US$500.

The agreement is still subject to a due diligence examination, the receipt of environmental permits and negotiations with the union at the mine and the government.

BP Canada closed Hope Brook earlier this year because of the low gold price and environmental problems at the site.

INTL. COMPANIES AND CAPITAL MARKETS

Sandoz follows Roche to the US

Ian Rodger explains why Sandoz and other leading Swiss chemical groups are moving away from Basle in order to develop products based on genetic engineering

IT WAS undoubtedly a pure coincidence – but a cruel one – that two of Basle's giant chemical groups announced strategically significant decisions on Monday, both of them pointing in the same direction.

Shortly after Ciba-Geigy said it was cancelling its plan to build a SFr130m ($86.3m) genetic engineering research centre in its home city, Sandoz unveiled a $392m bid for control of SyStemics, a California-based, leading edge biotechnology research company.

The decisions could mark the beginning of the decline of Basle as one of the world's *most fertile centres of speciality* chemical and pharmaceutical research.

Both decisions were motivated by the same two factors – on the one hand, the pressing need, as perceived by the companies, to forge ahead with development of products based on genetic engineering, and, on the other, the hostility of the people of Basle to having research in this area done in their city.

The confrontation between business interests and environmentalists is perhaps nowhere more difficult to resolve than in genetic engineering. For leading pharmaceutical companies, like Ciba and Sandoz, there is simply no alternative to being active in research in this area.

The approval process for pharmaceutical products is now so long and laborious that they could not risk falling behind in a field that is so promising for not only the treatment of diseases, but also their diagnosis and prevention.

But for anyone with a fair knowledge of biotechnology, genetic engineering is a frightening science because so little is known about it.

"The risks in this technology have a new dimension – there is no time barrier," says Ms Florianne Köchlin, one of the leaders of the anti-genetic engineering movement in Basle. "A living organism can be dormant for 10 or 15 years."

Issues involving genetic engineering have already flared up in a number of places in the world, but only in Basle have they reached a critical point. The problem with Basle is that it is in Switzerland, a country that gives virtually endless opportunities to individuals and small groups to block developments they do not like.

In the case of Ciba's application to build its genetic engineering centre in the city, opponents managed to stretch out the examination process for two years. Then, after Ciba won its case last July, they appealed to the courts, starting a process that could take another three years.

The hostility in Basle to the big chemical companies dates from November 1 1986, when a fire broke out at a Sandoz chemical warehouse at Schweizerhalle on the outskirts of the city. As the fire was doused, several tonnes of poisonous chemicals were washed into the Rhine, causing massive loss of aquatic life.

The companies have worked hard since then to restore confidence in their ability to operate safely, but have obviously not succeeded. Now they are beginning to move away, and are finding that other areas, especially in the US, are only too happy to have an investment from a high-tech chemical company.

Roche was the first to react to the new environment in its home city, making a bold $2.1bn bid in early 1990 for a 60 per cent stake in Genentech, the leading US biotechnology group. It is now understood that Roche's investments in this crucial area will be carried out mostly in the US.

Sandoz has proceeded at a more cautious pace, acquiring plots of land in the US, co-operating in research projects with the Genetics Institute in Cambridge, Massachusetts, and now buying into the small, but sharply-focused SyStemics.

SyStemics is a two-year-old company formed by scientists from Stanford University who were working in a promising area of blood cell chemistry. They succeeded in separating stem cells, which are believed to be the progenitor cells of all blood cells, from bone marrow, and the company has recently won patents for this process and for a means of composing stem cells.

The company hopes that the use of purified stem cells in cancer therapy could provide significant advantages over transplanted whole bone marrow.

Sandoz, for its part, has been focusing increasingly on immunology and oncology – cancer-related areas – in its pharmaceutical research. It supplies the leading drug for suppressing the body's resistance to organ transplants, Sandimmun, and has developed, together with Schering-Plough of the US, a blood cell growth factor (GM-CSF) for treating cancers.

Ciba-Geigy has, until now, been the most reluctant to move its cutting-edge research away from Basle, and even this week's decision means that it will not be moving far. It has applied for permission to build its so-called Biotechnikum at Huningue, just across the border in Alsace.

It was a cheeky thing to do, because it means that the opponents of the plan in Basle will still have to live with the risks of the centre, while the city gets none of the benefits.

Still, for Mr Heini Lippuner, chairman of Ciba's executive committee, even that was a difficult decision. A few weeks ago, speaking about the problem, he said: "It would not just be a pity for Ciba, but a great loss for Switzerland. In what other high value industries can Switzerland compete? We missed microelectronics. Why give one away?"

Bridgestone sees $500m loss in US, Europe

By Emiko Terazono in Tokyo

BRIDGESTONE, the Japanese tyre company, said its US and European operations will post after-tax losses of $500m for the 12 months to December.

Bridgestone said combined losses at Bridgestone/Firestone and Bridgestone/Firestone Europe, the US and Europe-based affiliates, were larger than previous projections of $350m as the prolonged US recession and an increase in retirement payments for a staff cut of 3,400 jobs contributed to additional costs.

However, the company said consolidated profit targets for the year ending December were unchanged with an 11 *per cent increase in after-tax* profits to Y5bn ($39m). Bridgestone said it would post special profits of Y25bn from land sales, which would help boost earnings.

Earlier this year, the company slashed its earnings forecasts for the year due to losses at its US and European operations. The slump in the US automobile market has hurt Bridgestone/Firestone, its US arm largely composed of Firestone Tire and Rubber which Bridgestone bought for $2.6bn three years ago.

Investment chief to resign from Salomon Bros

By Patrick Harverson in New York

THE management shake-up at Salomon Brothers, the Wall Street securities house engulfed by a bond trading scandal this summer, claimed another victim yesterday when Mr Jay Higgins, a former head of investment banking at the firm, announced his intention to resign.

The departure of Mr Higgins, who was a vice-chairman *and one-time member of Salomon's* key policy-making executive committee, had been expected since he was excluded in November from the new nine-man management committee that was set up by Mr Deryck Maughan, the house's chief operating officer.

The make-up of that committee showed a distinct bias among Salomon's management towards the bond trading department, which traditionally generates the bulk of the firm's earnings, and against businesses which have struggled in recent years, such as US equity trading and investment banking, which Mr Higgins led until December last year.

Mr Higgins, who will retire at the end of the year, was with Salomon for 22 years. He said yesterday that he had no immediate plans, and would take some time off before making any decisions about his career.

Ironically, during his time at Salomon Mr Higgins played an important role in cementing the firm's relationship with the World Bank.

His departure comes a few days after the World Bank agreed to lift its suspension *on bond trading* with Salomon imposed after the scandal broke in August.

American Express to buy Lifeco Travel Services

By Karen Zagor in New York

AMERICAN Express, the US financial services company, is to acquire the fifth biggest US travel agency, Lifeco Travel Services, in a deal believed to be worth $100m.

Lifeco has sales of about $1.2bn, with 90 per cent related to corporate travel. American Express said it would buy all of the stock of Lifeco and its affiliates, including Competitive Technologies, a travel technology company.

American Express hopes to strengthen its position in the corporate travel arena in the US through the acquisition and broaden its presence in the south-west, where many of Lifeco's clients and offices are located. American Express already dominates the US corporate travel market in terms of airline tickets, with $3.27bn in sales last year.

In addition to gaining access to Lifeco's corporate client base, the inclusion of Competitive Technologies appears to be an important part of the deal. American Express said: "It is important to generate the lowest logical air fare, and for that you need state-of-the-art technology."

American Express will also acquire Lifeco's three European travel companies – Mark Allan Travel in the UK, Tourisme Industrie in France, and Lifeco-RAK in Germany.

Reckitt sells South African food interests

By Philip Gawith in Johannesburg

TIGER OATS, the food, pharmaceuticals and fishing company in the Barlow Rand group of South Africa, is to acquire the food interests of Reckitt and Colman (South Africa), the local subsidiary of Reckitt and Colman of the UK.

In addition to the assets and brands of Colman Foods, Tiger will also acquire its 50 per cent stake in Petz foods.

Cost of the deal is undisclosed, but analysts estimate it at R100m ($360m). It will add R200m to Tiger's turnover, which totalled R7.96bn in 1991. After-tax profits rose 23 per cent to R348m.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. *Closing prices on December 19*

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	106¼	107¼		6.43
ALBERTA PROVINCE 9 3/8 95	600	109⅝	109¾		6.53
AUSTRIA 8 1/2 00	400	105¾	106¼	+⅛	7.50
BANK OF TOKYO 8 3/8 96	100	104¼	105	−⅛	7.10
BELGIUM 9 5/8 98	250	111⅛	111⅝	−⅛	7.36
BFCE 7 3/4 97	150	103⅛	104	−⅛	6.95
BNP 8 5/8 94	300	106¼	106⅝		5.96
BRITISH GAS 8 3/8 99	350	105¼	105⅝		7.47
CANADA 9 96	1000	109	109¼	+⅛	6.47
CARCO 9 1/4 96	650	103⅞	104⅛	−⅛	8.26
CCCE 9 1/4 95	300	108⅞	109¼	−⅛	6.18
COUNCIL EUROPE 8 96	100	105	105⅝	−⅛	6.69
CREDIT FONCIER 9 1/2 99	300	111⅛	111⅝	−⅛	7.37
DENMARK 8 1/4 94	150	105⅛	105⅝	−⅛	5.93
DENMARK 9 1/4 95	1571	108⅝	109	−⅛	6.18
ECSC 8 1/4 96	195	106	106½		6.78
EEC 8 1/4 96	100	105⅝	106¼	−⅛	6.74
EIB 7 3/4 96	250	104	104½	−⅛	6.69
EIB 9 1/4 97	1000	110⅝	111		6.99
ELEC DE FRANCE 9 98	200	108⅝	109	−⅛	7.25
EURO CRED CARD TST 9 94	325	104	104⅝	−⅛	7.36
EUROFIMA 9 1/4 96	100	108⅞	109¼		6.85
EXPORT DEV CORP 9 1/2 98	150	111⅛	111⅝		7.29
FINLAND 7 7/8 97	200	102⅞	103⅛		7.18
FINNISH EXPORT 9 3/8 95	200	109¼	109⅝		6.60
FORD CAPITAL 9 3/4 97	250	105⅛	106¼		8.37
GEN ELEC CAPITAL 9 3/8 96	300	108⅝	109⅛		7.04
GMAC 9 1/8 96	200	104¼	104⅝		7.89
GUINNESS FINANCE 8 94	200	104¼	104⅝		6.13
IBM INTL FIN 7 3/4 94	200	104	104⅝		5.84
IND BK JAPAN FIN 7 7/8 97	200	102⅞	103	−⅛	7.31
INTER AMER DEV 7 5/8 96	200	103⅞	103⅞	−⅛	6.76
ITALY 8 1/2 94	1500	106¼	106⅝		5.85
JAPAN DEV BK 8 94	150	104⅝	105	−⅛	5.87
KANSAI ELEC PWR 10 96	350	110⅞	111¼		6.96
LTCB FIN 8 97	200	102¼	102⅝	−⅛	7.48
NEW ZEALAND 9 94	850	106⅝	107¼		6.14
NIPPON CRED BK 10 3/8 95	150	110¼	111⅛		7.05
NIPPON TEL & TEL 9 3/8 95	200	108½	109	+⅛	6.34
ONTARIO 8 1/2 01	600	103⅞	104¼	+⅛	7.88
ONTARIO HYDRO 11 5/8 94	200	110⅞	111½		6.09
OSTER KONTROLLBANK 8 1/2 01	200	105⅛	105⅝	+⅛	7.69
PETRO-CANADA 7 1/4 96	200	101½	102¼	+⅛	6.85
QUEBEC HYDRO 9 3/4 98	150	110⅝	111	+⅛	7.72
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	Issued	Bid	Offer	Chg. day	Yield
WORLD BANK 5 03	150	84	84¼		7.06
WORLD BANK 7 01	600	101⅛	101⅞	+⅛	6.73

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	98⅛	98⅝	+⅛	5.60
CREDIT FONCIER 5 1/4 94	20000	98⅛	98⅝		5.95
DENMARK 7 95	40000	103⅝	104		5.69
EIB 4 5/8 94	40000	97⅞	98¼		5.99
ELEC DE FRANCE 5 5/8 96	20000	99	99½		5.86
FINLAND 6 3/4 96	50000	102¼	102⅝		6.06
INTER AMER DEV 7 1/4 00	30000	108⅝	108⅞		5.95
KANSAI ELEC PWR 4 5/8 94	60000	97¼	97½		5.89
NIPPON TEL & TEL 5 7/8 96	50000	100⅛	100⅝		5.84
NORWAY 5 1/8 95	50000	98⅛	98⅝		5.71
SNCF 6 3/4 00	30000	105⅜	105⅝		5.90
SWEDEN 5 5/8 95	20000	98⅝	99⅛		5.96
WORLD BANK 6 3/4 00	30000	105⅝	106		5.85

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS BNT 7 94 LFr	600	94	95		9.69
COPENHAGEN TEL 8 5/8 96 LFr	600	98	98¼	−⅛	9.23
WORLD BANK 8 96 LFr	1000	96½	97½	+⅛	9.10
ABN AMRO HOLDING 9 1/4 01 Fl	750	102	102¼		8.91
UNILEVER 9 00 Fl	500	102¼	103¼	−⅛	8.52
ALBERTA PROVINCE 10 5/8 96 C$	500	106¼	106½		8.75
BELL CANADA 10 5/8 99 C$	150	106¼	106¾		9.41
BRITISH COLUMBIA 10 96 C$	500	104⅝	104⅞		8.74
EIB 10 1/8 98 C$	130	104⅞	105⅜		9.05
ELEC DE FRANCE 9 3/4 99 C$	275	104	104½		8.99
FORD CREDIT CANADA 10 94 C$	100	102⅞	103½	+⅛	8.69
GEN ELEC CAPITAL 10 96 C$	300	104⅝	104⅞	−⅛	8.82
KFW INT FIN 10 01 C$	400	104⅛	104⅝		9.30
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CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
[illegible]					
EASTMAN KODAK 6 3/8 01	300	50.67	101⅛	101⅞	+12.93
GOLD KALGOORLIE 7 1/2 00	65	1.0554	79⅝	80⅝	+39.65
HANSON 9 1/2 06 £	500	2.5875	94⅛	94⅞	+23.94
HAWLEY 6 02 PREF	400	19.1	74⅞	77⅞	
HILLSDOWN 4 1/2 02 £	150	3.97	114⅛	115⅛	
LAND SECS 6 3/4 02 £	84	6.72	81⅞	82⅞	+18.91
LASMO 7 3/4 05 £	90	5.64	74⅛	75⅛	+70.64
MITSUI BANK 2 5/8 03	200	2337½	88	90	+14.36
MOUNT ISA FIN 6 1/2 97	100	2.283	89⅞	90⅞	+25.45
OGDEN 6 02	85	39.077	77¼	78⅞	+67.43
SMITH & NEPHEW 4 02 £	90	1.775	118⅛	119⅞	+59.01
SUMITOMO BANK 3 1/8 04	300	3606.9	68⅛	69⅛	+17.19
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	88⅛	89⅛	
THORN EMI 5 3/4 04 £	100	7.45	116⅛	117⅛	+18.50

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Traders surprised by size of Bundesbank increase

By Sara Webb in London and Patrick Harverson in New York

THE Bundesbank's decision to raise interest rates by half a percentage point dominated the European government bond markets yesterday, forcing Denmark, the Netherlands and Belgium to raise rates, and leading to speculation over whether France and the UK would be forced to follow suit.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	115.4515	+0.691	9.56	9.69	9.80
BELGIUM		9.000	08/01	99.9500	+0.050	8.99	9.07	9.06
CANADA *		8.500	04/02	100.1500	-0.350	8.47	8.53	8.41
DENMARK		9.000	11/00	101.2500	+0.075	8.78	8.88	8.94
FRANCE	BTAN	8.500	11/96	97.4072	-0.489	9.17	9.09	8.99
	OAT	9.500	01/01	104.8200	-0.070	8.70	8.78	8.78
GERMANY		8.25	08/01	100.8700	+0.330	8.11	8.22	8.23
ITALY		12.000	08/01	97.1800	-0.140	12.51	12.53	12.57
JAPAN	No 119	4.800	06/99	93.9838	-0.098	5.98	5.94	6.19
	No 129	6.400	03/00	104.1634	-0.089	5.66	5.63	5.85
NETHERLANDS		8.500	03/01	99.8100	+0.120	8.65	8.73	8.72
SPAIN		11.900	07/96	100.5000	-0.170	11.69	11.57	11.95
UK GILTS		10.000	11/96	100-22	-13/32	9.82	9.72	9.75
		10.000	02/01	102-07	-08/32	9.63	9.60	9.70
		9.000	10/08	96-22	-10/32	9.39	9.39	9.50
US TREASURY *		7.500	11/01	102-13	+07/32	7.16	7.16	7.34
		8.000	11/21	103-08	+13/32	7.72	7.79	7.87

London closing. *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

Traders were surprised by the size of the increase in German interest rates, but welcomed the Bundesbank's determination to curb inflation and maintain a tight monetary policy. The Lombard rate was raised from 9.25 per cent to 9.75 per cent, while the discount rate rose from 7.5 per cent to 8 per cent. Inflation is expected to peak at about 5 per cent in the spring of 1992 before falling again.

Long-dated German government bonds made strong gains on the news as international investors concentrated on buying 10-year paper where they believe there is the greatest scope for profit once inflation starts to fall.

The European markets have been dogged by speculation of a rise in German rates in recent months. However, the market greeted yesterday's decision to raise rates with relief, firmly believing this to be the final increase in German rates.

Activity in the bund market was subdued ahead of the Bundesbank announcement but increased sharply in the cash and futures market after the news was released.

The Liffe bund futures contract, which opened at 86.93, was volatile after the announcement, but then gained steadily to reach a high of 87.35, and traded at around 87.32 late in the afternoon. Although the rise in interest rates was taken as good news for long-dated issues, prices for short-dated issues fell.

Among the other European markets, Dutch government bonds closed higher after the Dutch central bank followed the Bundesbank and raised the discount rate by a half percentage point.

Meanwhile, France ended the day almost unchanged after trading in a range of about half a percentage point. However, there was speculation over whether the Bank of France would be forced to raise the interest rate in order to support the currency.

■ UK government bonds dropped sharply as the Bundesbank's decision to raise German interest rates killed hopes of an early easing in the UK base rate and led to some speculation that they may be forced up again.

The benchmark 11¾ per cent due 2003/07 fell from 114⅞ to 114⅛ to yield 9.60 per cent while the Liffe futures contract fell from its opening of 96.21 to 96.12 by late afternoon. Among short-dated issues, the 10 per cent gilt due 1996 fell from 101⅛ to 100¾.

The rise in German rates followed the release of further gloomy economic data yesterday, although traders said the market hardly reacted to the disappointing figures.

Employment data for November showed the number of jobless jumping up by 38,900 during the month, compared with 16,900 during October. The employment rate moved up to 8.8 per cent from 8.7 per cent.

■ US Treasury prices rose across the maturity range yesterday morning in the wake of a sharp rise in weekly state unemployment insurance claims.

By midday, the benchmark 30-year government issue was up ⅝ at 104⅛, yielding 7.768 per cent, while the two-year note was up ⅛ at 99⅞, yielding 5.067 per cent.

The news that sparked buying at both ends of the market was the Labor Department's report of a 79,000 rise in jobless claims during the first week of December. The increase was double analysts' forecasts, and suggested that conditions in the labour market continue to deteriorate.

A bleak assessment of the economy by Mr Alan Greenspan, Federal Reserve chairman, given at a Congressional hearing on Wednesday fuelled already high hopes of a monetary ease, and yesterday investors bought Treasuries because they believed the jobless figures would increase the pressure on the Fed to cut interest rates before Christmas.

■ JAPANESE government bond prices slipped back on profit-taking and disappointment that the US Federal Reserve chose not to lower interest rates on Wednesday. The market has been expecting an easing in US interest rates this week.

The yield on the benchmark No 129 opened at 5.635 per cent and closed at 5.66 per cent on low volumes.

Aggressive launch for Ecu250m deal by EC

By Simon London

THE European Community yesterday launched its expected Ecu250m six-year international bond issue, an aggressively-priced deal which was boosted by the Bundesbank's decision to raise German interest rates.

The mandate for the deal was won by Crédit Lyonnais following a competitive bidding process among leading firms. The 8¾ per cent bonds were re-offered to investors at a price of 99.73 to yield 8.69 per cent.

The pricing was seen as tight by market participants, with five-year paper from the same borrower currently yielding 8.92 per cent in the secondary market.

The Bundesbank's decision to raise the discount rate by ½ a point to 8 per cent had a positive effect on the Ecu bond market. Seasoned Ecu bond issues at the 10-year maturity, such as the UK government's Ecu2.5bn issue, gained around 10 basis points in price.

Dealers reported buying of Ecu bonds by investors who believe that yesterday's rise in German interest rates will be the last. If rates fall next year D-Mark bonds should rally, prompting a rally in Ecu bond prices.

Participants in the deal reported slow placement with many institutional investors having closed their investment books for the year.

But most reported steady buying from continental European investors and commented that there is substantial pent-up demand for Ecu paper which could encourage further issues in the new year.

The proceeds of yesterday's issue will be on-lent to Algeria as the first instalment of a Ecu400m financing package agreed earlier this year. Algeria has also arranged private sector finance in the form of a $1.5bn syndicate loan facility, again lead managed by Crédit Lyonnais.

INTERNATIONAL BONDS

Germans call for tougher rules

David Waller and Katharine Campbell on the latest bourse scandal

A SERIES of scandals in the German securities markets in recent months has left some of the country's biggest banks and most powerful state and federal authorities demanding a new and tougher approach to securities regulation.

This represents a significant change of attitudes for a country where insider dealing has yet to become a criminal offence – in fact, just three years ago, senior German bankers even ridiculed internationally-minded Bundesbank officials keen to develop such a law. But there are few clear-cut ideas yet on what form any new securities regulation should take.

Mr Gerhard Eberstadt, a main board director at Dresdner Bank, Germany's second largest, sums up the mood. He says it is about time Germany got its own Securities & Exchange Commission – a local equivalent to the powerful regulator of the US securities markets.

"This is long overdue," he argues. "We made a lot of ground in the 1980s in improving the competitiveness of domestic capital markets, but regulation was not the first thing on our minds. We have strict rules on insider dealing – introduced and enforced voluntarily – but we have no legal sanctions. This will change dramatically."

There were calls for a tougher regime last week from both Mr Ernst Welteke, economics minister of the state of Hesse, and Mr Rüdiger Von Rosen, chairman of the Frankfurt Stock Exchange. They echo an earlier call from Mr Horst Köhler, secretary of state at the Bonn Finance Ministry.

At the end of October, Mr Köhler announced that the government was pressing for a new centralised body to regulate the German securities industry. He said that Germany had to make such a move if the country were to retain its competitiveness as a centre for the financial services industry.

The pressure for reform has gained new momentum in the past fortnight from the latest scandal to hit the securities industry. This time the regulatory authorities in Frankfurt are looking at an allegedly illegal and widespread market practice known as "dividend stripping" – earlier this year the focus was on insider dealing and tax evasion.

In the latest case, the Economics Ministry of the state of Hesse has launched an investigation into the local broking community. The brokers are accused of taking advantage of differences between the way foreign and domestic investors are taxed on dividend income.

German investors are given a tax credit on dividend income while foreign investors are not; if a foreign investor sells shares to a German investor "cum" dividend entitlement immediately before the dividend is paid, then buys them back after the payout, both parties can benefit. The non-German investor buys the same shares back more cheaply while the German investor gets both the dividend and the tax credit.

Horst Köhler: pressing for centralised regulator

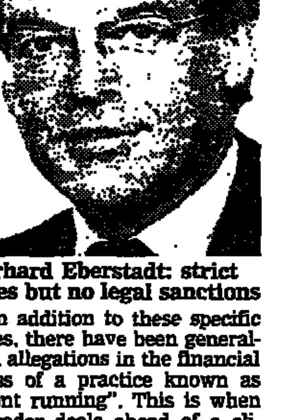
The ministry says the practice is illegal and has been going on for years. The brokers have responded angrily, saying that they have not done anything wrong.

Other scandals to have shaken the German markets this year are:

● The local tax authorities launched investigations into the tax affairs of around 200 traders at prominent Frankfurt brokers and banks, amid allegations of widespread and longstanding tax evasion;

● The insider dealing commission – a unit of the Frankfurt Stock Exchange – launched an investigation into alleged wrong-doings at the mighty Deutsche Bank. The investigation is thought to have focused on the bank's chief equity warrants dealer, Mr Manfred Mertens, and the charge that he made investments for himself and for three superiors ahead of television appearances where he tipped those very investments to the public. Following an internal inquiry at Deutsche Bank, Mr Mertens was dismissed. The insider commission formally exonerated all those who were investigated;

● Five employees resigned from Dresdner Bank following allegations from the bank's management that they had violated the bank's rules governing bond and equities transactions;



Gerhard Eberstadt: strict rules but no legal sanctions

● In addition to these specific cases, there have been generalised allegations in the financial press of a practice known as "front running". This is when a trader deals ahead of a client's order – that is, buys some shares in the hope that the client's order will drive the price up when the stake can be sold again at a profit.

Mr Rolf Breuer, head of securities and main board director at Deutsche Bank, is typical of senior bankers when he says that, looked at individually, none of these constitute a real scandal. He is emphatic, for example, that the private tax affairs of traders should be no concern of the banks and he is inclined to blame the press for whipping up hysteria. "There was no insider dealing scandal," he says, "but, rightly or wrongly, there was damage to the reputation of the banking system . . . the discussion alone was damaging."

To counter this damage, Mr Breuer, like Mr Eberstadt at Dresdner, says that Germany should set up a new regulatory body as soon as possible.

Coming from Germany's two biggest banks, these remarks amount to official recognition on the part of the German financial establishment that change is required. But this is about the extent of the consensus. Should it be a centralised body – as Bonn has indicated it ought to be – or should it be left to a new committee of the economics ministries of the individual Länder which at present are the chief supervisors of Germany's eight regional stock markets? Will it cover just insider laws, or will its remit extend further to take in all aspects of securities regulation – for example standardising the banks' internal house rules? Will it be able to find people of real calibre to give it credibility and authority in the eyes of the market? Will the German banks willingly and genuinely surrender powers to the new authority?

When pressed, it becomes clear that German bankers do not want anything resembling the SEC at all. But the new body should have real as well as symbolic clout, Mr Breuer insists, and to illustrate this he says that the new body should have powers to go beyond Germany's strict banking secrecy laws. At present, these laws are a serious impediment to regulators as it is quite in order for a bank to say that a regulator's questions cannot be answered because they infringe the secrecy laws. "The new body must be able to go beyond the point where a bank says it cannot answer questions because of the secrecy laws. The authority must have powers to find out whether [in the case of a suspicious trade] the bank was acting on its own account or on behalf of a customer, and to find out who the client was and whether he could have been an insider."

The secrecy laws are taken very seriously in Germany, and any new body with powers to override them would have to be taken seriously. But it appears that, despite the groundswell of emotional support for a new regime in Germany, very little thought has been given to the important details of how any new system would work in practice.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section. Thursday December 19 1991

		Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Wed Dec 18 Index No.	Tue Dec 17 Index No.	Mon Dec 16 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (180)	721.53	-0.8	9.39	6.67	13.63	34.30	727.39	732.77	743.60	721.34
2	Building Materials (23)	835.82	-1.3	8.34	7.45	16.19	46.51	847.26	864.28	890.32	974.33
3	Contracting, Construction (29)	833.45	-1.5	8.98	8.90	16.31	51.42	846.20	875.10	905.17	1129.18
4	Electricals (10)	2285.87	-1.4	10.55	6.48	12.07	98.23	2317.98	2345.31	2370.18	1928.26
5	Electronics (26)	1679.11	-0.5	10.95	5.12	11.58	53.94	1687.96	1676.06	1678.23	1554.56
6	Engineering-Aerospace (8)	323.81	+0.1	16.68	8.03	7.30	18.52	323.56	323.93	326.38	399.30
7	Engineering-General (43)	449.76	-1.4	10.67	5.58	11.56	18.20	456.32	458.04	457.60	364.91
8	Metals and Metal Forming (9)	287.73	-1.8	2.27	12.23	-	25.83	293.12	297.19	304.89	402.66
9	Motors (12)	282.44	-1.8	9.16	8.53	14.49	17.56	287.67	290.37	292.50	294.32
10	Other Industrial Materials (20)	1462.61	......	8.19	5.60	14.53	59.05	1462.66	1466.21	1489.83	1252.84
21	CONSUMER GROUP (189)	1520.21	-1.0	7.72	3.62	15.94	40.73	1536.01	1551.40	1549.75	1230.10
22	Brewers and Distillers (23)	1899.96	-0.6	8.91	3.73	13.56	49.14	1912.32	1910.11	1908.62	1598.49
25	Food Manufacturing (19)	1190.05	-1.1	9.92	4.26	12.38	37.32	1203.16	1207.24	1214.49	1032.01
26	Food Retailing (17)	2270.52	-1.4	10.20	3.65	12.74	65.37	2303.81	2364.96	2379.05	2290.91
27	Health and Household (24)	4079.33	-1.0	5.04	2.36	22.79	72.62	4119.73	4187.08	4141.37	2562.10
29	Hotels and Leisure (24)	1175.43	-1.0	8.68	5.77	14.26	45.61	1186.73	1194.45	1206.14	1210.24
30	Media (23)	1340.95	......	7.05	4.01	17.84	48.36	1340.94	1334.60	1328.31	0.00
31	Packaging, Paper & Printing (17)	703.04	-1.4	7.68	4.73	15.79	24.43	712.98	723.57	728.16	523.46
34	Stores (32)	956.60	-1.8	7.90	3.89	16.66	26.77	974.10	988.86	991.66	787.89
35	Textiles (10)	580.22	-0.7	7.99	5.35	15.98	22.28	584.60	588.40	588.12	410.46
40	OTHER GROUPS (112)	1154.24	-0.9	10.47	5.82	12.06	40.33	1164.75	1171.67	1178.70	1014.35
41	Business Services (13)	1305.22	-1.8	7.73	5.10	16.42	46.93	1329.05	1330.43	1346.19	0.00
42	Chemicals (21)	1352.39	-1.3	7.48	5.43	16.52	54.35	1370.59	1368.61	1367.06	1056.11
43	Conglomerates (11)	1249.41	-2.4	11.67	8.60	10.53	44.87	1280.25	1289.03	1286.39	1304.85
44	Transport (14)	2250.98	-0.5	5.70	5.02	23.10	79.12	2263.43	2271.22	2275.50	1906.37
45	Electricity (16)	1194.69	+0.2	15.18	6.22	8.57	27.53	1192.50	1208.14	1215.77	0.00
46	Telephone Networks (4)	1359.97	-0.6	11.54	4.61	11.32	30.42	1367.60	1371.10	1382.50	1169.59
47	Water (10)	2237.81	+0.7	19.08	7.11	5.77	151.44	2221.16	2240.85	2276.69	2145.06
48	Miscellaneous (23)	1656.61	-1.5	6.04	5.99	22.77	75.10	1682.66	1709.37	1731.20	1587.61
49	INDUSTRIAL GROUP (481)	1202.49	-0.9	8.89	4.85	14.08	39.66	1214.02	1224.08	1228.86	1039.78
51	Oil & Gas (19)	2185.22	-0.9	11.82	6.42	11.18	104.27	2204.73	2211.34	2204.09	2295.95
59	500 SHARE INDEX (500)	1288.09	-0.9	9.23	5.03	13.67	44.82	1300.34	1310.30	1314.29	1143.22
61	FINANCIAL GROUP (90)	696.78	-0.6	-	6.70	-	34.41	701.17	703.82	710.65	714.50
62	Banks (9)	822.27	-0.9	4.80	6.46	41.23	38.97	829.81	830.03	839.85	752.54
65	Insurance (Life) (6)	1376.80	-0.4	-	6.20	-	63.68	1382.21	1398.95	1401.12	1285.89
66	Insurance (Composite) (7)	483.91	......	-	9.01	-	32.94	483.87	489.75	495.75	626.69
67	Insurance (Brokers) (10)	978.78	-0.3	8.33	6.84	15.80	49.46	981.33	976.98	987.56	988.94
68	Merchant Banks (7)	448.10	-0.6	-	4.78	-	16.06	450.77	453.99	453.76	359.26
69	Property (35)	797.31	-0.8	6.16	5.91	23.74	33.34	803.71	805.39	816.67	972.78
70	Other Financial (16)	229.99	-0.4	11.68	7.60	10.77	13.03	230.87	230.70	230.25	254.70
71	Investment Trusts (69)	1120.53	-1.2	-	3.88	-	31.82	1134.52	1139.59	1145.60	1003.73
99	ALL-SHARE INDEX (659)	1146.78	-0.9	-	5.20	-	41.78	1157.33	1165.56	1170.11	1037.27

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 18	Dec 17	Dec 16	Dec 13	Dec 12	Year ago
FT-SE 100 SHARE INDEX‡	2391.6	-22.0	2409.3	2373.8	2413.6	2432.9	2440.8	2451.6	2423.3	2158.8

FIXED INTEREST

	PRICE INDICES	Thu Dec 19	Day's change %	Wed Dec 18	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (27)	121.44	-0.12	122.06	1.58	12.18
2	5-15 years (27)	135.25	-0.12	135.42	1.99	13.36
3	Over 15 years (8)	144.25	-0.10	144.39	1.50	13.28
4	Irredeemables (6)	159.87	-0.11	160.05	1.75	13.68
5	All stocks (69)	133.22	-0.12	133.55	1.82	13.12
	Index-Linked					
6	Up to 5 years (2)	166.98	-0.10	167.15	0.80	3.16
7	Over 5 years (9)	147.34	-0.24	147.69	0.96	4.26
8	All stocks (11)	148.93	-0.22	149.26	0.93	4.18
9	Debs & Loans (62)	114.69	-0.23	114.96	1.86	10.75

	AVERAGE GROSS REDEMPTION YIELDS		Thu Dec 19	Wed Dec 18	Year ago (approx.)
	British Government				
1	Low	5 years	8.79	8.72	9.88
2	Coupons	15 years	9.37	9.35	10.22
3	(0%-7¾%)	20 years	9.37	9.35	10.23
4	Medium	5 years	9.74	9.69	11.03
5	Coupons	15 years	9.47	9.46	10.55
6	(8%-10¾%)	20 years	9.43	9.42	10.43
7	High	5 years	9.97	9.92	11.14
8	Coupons	15 years	9.54	9.52	10.73
9	(11%-)	20 years	9.47	9.45	10.60
10	Irredeemables†		9.55	9.54	10.33
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.03	3.99	4.04
12	Inflation rate 5%	Over 5 yrs.	4.38	4.36	4.17
13	Inflation rate 10%	Up to 5 yrs.	3.35	3.31	2.67
14	Inflation rate 10%	Over 5 yrs.	4.19	4.17	3.97
15	Debs &	5 years	11.19	11.15	12.55
16	Loans	15 years	11.01	10.97	12.34
17		25 years	10.83	10.80	12.13

‡Opening index 2409.3; 9 am 2394.7; 10 am 2391.4; 11 am 2379.0; Noon 2383.9; 1 pm 2380.3; 2 pm 2381.0; 2.30 pm 2386.2; 3 pm 2386.0; 4.10 pm 2391.7; (a) 8.30am (b) 10.26am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	78	4
Other Fixed Interest	0	12	7
Commercial, Industrial	136	459	898
Financial & Property	41	257	480
Oil & Gas	9	32	51
Plantations	0	1	9
Mines	33	25	94
Others	31	65	48
Totals	250	929	1,591

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am't Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
100	F.P.	-	103	101	Aberforth Sm. Co's. C Shs.	103		-	-	-	-
-	F.P.	-	61	43	BTR Warrants 1995/96	45	+1½	-	-	-	-
-	F.P.	-	143	90	Baillie Gifford Jap Wrnts	108	-2	-	-	-	-
-	F.P.	-	405	405	Bristol Water Non-Vtg £1	405		-	-	-	-
*335	110	-	129½	120½	British Telecom New	121¼		13.3	2.6	5.1	10.1
140	F.P.	-	149	140	Burn Stewart Dist.	141	-2	R5.0	2.3	4.7	10.9
-	F.P.	-	3	2	Butte Mining Wrrnts.	2		-	-	-	-
†	F.P.	-	110	76	Capital Industries 1p	76		-	-	-	-
4	F.P.	-	9½	3	Calver 1p	3		-	-	-	-
100	F.P.	-	96	89	Drayton Korea Tst.	90	+1	-	-	-	-
-	F.P.	-	31	21	Do. Warrants	21	-1	-	-	-	-
-	F.P.	-	320	185	Eurotunnel '91 Wrnts.	193	+5	-	-	-	-
100	F.P.	-	101½	88	Fidelity Euro Values	88	-1	-	-	-	-
-	F.P.		23	20	Do. Warrants	21		-	-	-	-
-	F.P.	-	40	28	Fleming Japanese Wrnts.	28	-4	-	-	-	-
§§235	F.P.	-	283	256	Frost Group	282	+1	u2.0	0.9	0.9	12.0
-	F.P.	-	19	14	Hanson New Warrants	16½	-½	-	-	-	-
120	F.P.	-	131	121	Harrington Kilbride	130		R4.5	1.8	4.6	13.2
‡	F.P.	-	25	24	Hong Kong Zero Dv Pf	24¼	-½	-	-	-	-
195	F.P.	-	226	198	JJB Group 10p	199	-1	R7.5	1.8	5.0	14.8
-	F.P.	-	4	2½	Lowe (R) Wrrnts	3		-	-	-	-
§§28	F.P.	-	22	17	M & G Income Cap. 1p	17¾		-	-	-	-
-	F.P.	-	66	60½	Do. Geared Units	61½	-½	M4.91	-	10.6	-
§§44	F.P.	-	45	43½	Do. Income 1p	44½		M4.91	-	14.7	-
100	F.P.	-	102	96	Do. Package Units	98		M4.91	-	6.7	-
-	F.P.	-	37	35¼	Do. Zero Div Pf	36½	+½	-	-	-	-
50	F.P.	-	54	33	¶Simpsons of Cornhill 5p	33		-	-	-	10.2
100	F.P.	-	102	100½	St. Davids Zero Div Pf	102		-	-	-	-
-	F.P.	-	3½	1½	Wills Group Wrrnts.	3½		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	103p	100p	Barings 9¼pc Non-Cum. Prf. £1	103p	+¼
10p	F.P.	-	10p	8p	Butte Mining 10pc (Net) Cv Prf 1994	10p	
100	F.P.	-	107½	98½	Camborne Inds. 10½pc Rd. Deb. 2001	105½	-2
100p	F.P.	-	103p	100p	Fidelity Euro. Values Equity Ln 2001	100p	
105	F.P.	-	105	98	Greencore 9.5% Cnv Un Ln Stk 1995	100	
310p	Nil	-	91pm	52pm	Inchcape Non-Int. Bearing Cv Un Ln	52pm	-8
100p	F.P.	-	104p	100¼p	NatWest Bank 9pc Prf Series A	101¼p	+¼

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
12½	Nil	-	5pm	2½pm	Oceonics	5pm	+1½
84	Nil	23/12	4pm	¼pm	Pict Petroleum 5p	¼pm	
5	Nil	20/12	1½pm	¼pm	¶Union Square 1p	¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. e Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ‡ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. * Issue price to private investors. ■ Unit comprising of 5 Ords and 1 Warrant.

TRADITIONAL OPTIONS

● First Dealings Dec. 16
● Last Dealings Jan. 3
● Last Declarations Mar. 19
● For settlement Mar. 30

3-month call rate indications are shown on this page

Calls in: Amstrad, ASDA, Aviva, Amber Day, Automated Sec., Albert Fisher, Birse, Conroy, Cowie (T.), Dowty, Era Group, GRE, Ratners, Royal Ins. Puts in: ADT, Birse, P & P, Wace. Puts & Calls: Dowty, Greycoat.

LONDON TRADED OPTIONS

Option		CALLS Jan	Apr	Jul	PUTS Jan	Apr	Jul
Alld Lyons (*596)	550	48½	70½	77½	3½	10½	19
	600	15	37½	47½	19	28½	40
	650	3	18	28	55	59½	68½
ASDA (*29)	25	6½	8	11	2	3	4
	30	3	4½	6	4	6	7
	34	1¾	2¼	-	7	8½	-
Brit. Airways (*208)	180	29½	34½	41½	½	3	6
	200	13½	21	26½	3¾	8	13½
	220	3¾	11½	16½	14½	16½	22½
SmKl Beecham A (*814)	750	71½	93½	113	3	12½	19
	800	34½	60½	78½	15	27½	34½
	850	11½	35½	55½	43½	53½	58½
Boots (*427)	420	16½	32	39	8	14	22½
	460	2¾	13½	21	34½	35½	42½
B.P. (*291)	280	15½	20½	23½	4	8	11½
	300	5	11	14½	11½	17½	20½
British Steel (*63)	60	4¾	8	10	2½	3½	4½
	70	1½	4	5½	8¼	10	11¾
Bass (*995)	950	56½	83½	103	6½	17	25½
	1000	21½	50½	73½	22½	35½	45½
C & Wire (*570)	550	30½	52½	63½	7	16	25
	600	7½	27	38½	33	41½	47½
Courtaulds (*460)	460	14½	33	39	12	18½	24
	500	3¾	16	23	40	41	46
Com. Union (*447)	420	32½	40½	46½	4	13½	17½
	460	8	17½	26	17½	34½	37½
Fisons (*327)	300	32	41	48	2	9½	11½
	330	12½	22	31	12½	21	22
GKN (*281)	280	9½	18	20	7½	21	25
	300	2¾	8	14½	20½	34½	36½
Grand Met. (*854)	850	20½	45	67½	23	36½	41
	900	4	23	44½	59½	67½	71½
I.C.I. (*1139)	1100	58½	-	-	10½	-	-
	1150	28½	51½	73½	28½	68½	76½
Kingfisher (*477)	460	23	42	47½	6½	15	22½
	500	6	20½	27½	28	33	40
Ladbroke (*209)	200	13½	21	24½	4	10	12½
	211	7½	-	-	9	-	-
Land Secur (*458)	460	10½	26½	32½	9	15½	23
	500	1¾	10½	14½	41	41½	47½
M & S (*274)	260	17½	27½	31½	3	5½	9½
	280	7	16½	20½	11½	14½	19½
Sainsbury (*349)	330	-	34	38	-	6	8¼
	356	7	-	-	11½	-	-
Shell Trans. (*483)	460	29½	35½	45½	3	11	13½
	500	6	12½	24	20	32½	34½
Storehouse (*93)	90	5½	10½	12½	4½	7½	8½
	100	2¼	6	8	10½	14	16
Trafalgar (*147)	140	11½	19½	23	5½	9½	11
	160	4	11	13½	14½	17½	23
Utd. Biscuits (*389)	360	31½	40½	44½	1¼	7½	9½
	390	10½	21	28	10½	19½	22½
Unilever (*847)	800	56½	73½	86½	4½	15	20½
	850	19½	41½	56½	18	36	41½
Ultramar (*266)	260	10½	18½	25½	7½	13½	16½
	280	4	11	17	17½	24½	27½

Option		CALLS Feb	May	Aug	PUTS Feb	May	Aug
Brit. Aero (*316)	300	27½	29½	35½	7	23	25
	330	11½	15½	20	22	38½	42½
BAA (*522)	500	36½	56½	59½	8	13½	19
	550	10	26	34	32½	36½	41½
BAT Inds (*583)	600	16	28	35½	23½	34½	42½
	650	3½	12	17	64	69½	76½
BTR (*375)	360	26	33	40½	6	13½	16½
	390	9½	17½	24	18½	28	30
Brit. Telecom (*323)	300	26	35	39	5	8	12
	330	8	18	23	17½	21½	24½
Cadbury Sch (*417)	390	40½	47½	57½	7¼	17	21½
	420	22½	31	42½	20	30½	37½
Eastern Elec (*242)	240	-	-	18½	-	-	17½
	250	4½	11½	16½	19½	-	-
Guinness (*500)	500	20	32	43½	13½	21	24½
	525	10½	21	-	29½	34½	-
GEC (*196)	180	16	23	25	2½	4½	7¼
	200	4¾	11	13	10¾	12	16
Hanson (*194)	180	14½	17½	19½	4½	6¾	9
	200	3	8¼	10	17	18	19½
LASMO (*230)	240	11½	16½	20	18	25	25½
	260	5	10½	14½	5½	7	9½
Lucas Inds (*112)	110	7½	11½	14½	5½	7	9½
	120	3¼	6	10½	10½	16½	16½
P. & O. (*433)	420	30½	39½	44½	12½	25½	28½
	460	11½	20	26½	32½	47½	50½
Pilkington (*122)	120	9	15½	16½	6½	9	12½
	130	5	10	12½	12½	13½	19
Prudential (*221)	220	11	14½	20½	8	13½	16½
	240	3½	7	12½	20½	26½	29½
Racal (*50)	51½	2	-	-	3¼	-	-
	60	¼	-	-	10½	-	-
R.T.Z. (*478)	460	30½	38½	48½	9½	21½	25½
	500	11	19½	30½	30½	42½	47½
Scot. & New (*406)	390	22½	35½	41½	9	13½	20
	420	7½	20	26	25½	30	35½
Tesco (*209)	200	16½	20½	26	4	7	9
	220	5½	10½	16½	12½	16½	17½
Thames Water (*335)	330	14	25	27½	9	12½	17½
	350	5	-	-	19½	-	-
Vodafone (*353)	330	32½	43	48	6¼	11	15
	360	12	25½	31½	19	24	25½

Option		CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
Abbey Nat. (*276)	260	22½	26½	32	7¼	10	12½
	280	11	16½	18½	17	20½	22
Amstrad (*26)	25	5½	7½	8	4	5½	6
	30	3½	5¾	7	7½	8½	9
Barclays (*364)	360	20½	27	34½	18½	21	26
	390	8½	15½	22	40½	42½	45½
Blue Circle (*208)	200	20½	25	27	9	14½	17½
	220	11½	16	18½	20	27	28
British Gas (*257)	240	21½	25½	31½	4¼	8	10½
	260	11	13	19½	12	16	18½
Dixons (*196)	180	22	27½	30½	4	6	8½
	200	11	17½	20½	12	16	18
Eurotunnel (*355)	330	47½	62½	72½	11½	18½	25
	360	27	41	55	22	28	38
Glaxo (*798)	750	80½	107	127	21½	31½	41½
	800	48½	78½	98	42½	52½	61½
Hawker Sidd. (*720)	700	43½	60½	-	4	8½	-
	750	8½	27½	-	26½	30½	-
Hillsdown (*157)	160	10½	15½	16	8½	15	17
	177	4	-	-	20	-	-
Lonrho (*156)	140	20½	24	26	11	12½	16½
	160	11	14½	17½	21½	24	26
Midland Bk (*202)	200	20	29	30	12½	15½	16½
	220	11	19½	20	22	25	27½
National Power (*143)	140	9	14½	16½	6	8	11
	160	2¼	6	7½	19½	20½	22½
Reuters (*967)	950	63½	90½	113	33½	48½	55½
	1000	37½	66½	86½	58	78	80
R. Royce (*124)	120	11¼	11¾	14	6¾	4½	7
	130	5	7	9½	13½	13½	15½
Scottish Power (*104)	100	6½	10	11	5¼	6	9
	110	2¾	5	6½	12	12	14
Sears (*90)	90	7¼	10½	12½	6	10½	11½
	100	4½	5	8	12½	15½	16½
Forte (*225)	220	16½	20½	23½	6½	12½	14½
	240	7¼	11½	15½	16½	23½	26
Thorn EMI (*727)	700	44½	66½	70½	13	18	27
	750	21	38½	44½	38½	42½	15
TSB (*119)	110	11½	13½	-	4½	5½	-
	120	5½	9	11½	9	10	11½
Vaal Reefs (*$61)	50	12½	14	14½	1¼	2¾	2¾
	60	5½	8	9½	3¾	5½	7
Wellcome (*936)	900	81½	113	135	28½	41½	45½
	950	54½	85½	109	48½	60½	63½

EURO FT-SE INDEX (*2392)

	2225	2275	2325	2375	2425	2475	2525	2575
CALLS								
Dec	172	123	77½	36½	11½	2½	1	½
Jan	194	149	110	74½	45½	25½	13	6
Feb	212	-	134	-	72	-	31	-
Mar	227	-	153	-	90½	-	47½	-
Jun	272	-	202	-	142	-	92½	-
Sep	302	-	237	-	182	-	135	-
PUTS								
Dec	2	3	6½	16½	41	82½	127	176
Jan	11½	17½	25½	40½	62½	88½	125	165
Feb	19½	-	38½	-	73½	-	129	-
Mar	28½	-	50½	-	84	-	137	-
Jun	51	-	74	-	105	-	155	-
Sep	61	-	85	-	115	-	158	-

FT-SE EUROTRACK 100 INDEX (*1043)

	1050	1175	1100	1125	1150	1175	1200	
CALLS								
Dec	12½	1	½	½	½	½	½	-
Mar	50	35	20	13½	6	2½	1	-
PUTS								
Dec	6½	40	43	67	92	117	142	-
Mar	20	30	40	56	72	93	115	-

FT-SE INDEX (*2392)

	2200	2250	2300	2350	2400	2450	2500	2550
CALLS								
Dec	202	154	104	60½	24	5½	1	½
Jan	220	176	133	95	62	37½	20½	10½
Feb	237	195	155	119	88½	61½	40½	24½
Mar	259	219	180	146	115	88	65	45½
Jun †	298	-	225	-	161	-	116	-
PUTS								
Dec	1½	2	4	9½	24½	61	109	159
Jan	9	14½	22	34½	53	80½	116	162
Feb	17½	23½	33½	47	66½	92½	125	163
Mar	26½	35	45½	60½	80	105	136	173
Jun †	54	-	80½	-	110	-	164	-

December 19 Total Contracts 30,211
Calls 15,734 Puts 14,477
FT-SE Index Calls 7,426 Puts 4,862
Euro FT-SE Calls 1,110 Puts 2,637
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

Stock	p
■ INDUSTRIALS	
Allied-Lyons	50
Amstrad	4
Astec (BSR)	5
BAT Inds	53
BOC	48
BTR	33
Barclays	34
Blue Circle	20
Boots	33
Bowater	55
Brit Aerospace	30
British Steel	10
Brit Telecom	27
Cadburys	35
Charter Cons.	42
Comm Union	40
Courtaulds	38
Eurotunnel	35
FKI	5
FNFC	6
Forte	21
GKN	26
Gen Accident	40
GEC	15
Glaxo	75
Grand Met	67
GRE	11
Hanson	16
ICI	95
Ladbroke	21
Legal & Gen	33
Lex Service	18
Lloyds Bank	30
Lonhro	19
Lucas Inds	12
Marks Spencer	23
Midland Bank	18
NatWest Bank	26
P & O Dfd	41
Racal Elect	6
RHM	21
Rank Org	52
Ratners	9
Reed Intl	38
Sears	8
SmKl Bchm A	60
TI	38
TSB	11
Tesco	21
Thorn EMI	65
T & N	14
Unilever	80
Vickers	15
Wellcome	70
■ PROPERTY	
Brit Land	24
Land Sec.	41
MEPC	38
Mountleigh	3
■ OILS	
Aviva Pet	2
BP	26
Burmah Castrol	44
Conroy Pet	7
Gaelic Res	1
Premier Cons	4
Shell	40
Tuskar Res	1
Ultramar	20
■ MINES	
RTZ	44

UK COMPANY NEWS

3i falls to £20m but reports upturn in past two months

By Charles Batchelor

3i GROUP, the UK's largest venture capital group and an important gauge of the health of the nation's small firms sector, yesterday reported a sharp upturn in requests for finance over the past two months. The rate at which 3i approves applications for finance is currently at a two-year high.

These hints of an economic recovery have yet to show through in 3i's accounts but the company had shown "resilience in very tough conditions", according to Mr David Marlow, chief executive. The uncertainty of the economic outlook meant no final decision had been taken on the date for 3i's planned flotation, he said.

The continuing impact of the recession was reflected in a fall in gross investment levels to £141m (£195m) in the six months ended September 30. Pre-tax revenue fell from £28m to £20m.

On the plus side, 3i set just £9.54m aside in provisions, against £61.4m last time. Shareholders' funds also increased marginally, by £37.7m to £1.23bn.

Net assets per share rose to 522p (472p). The interim dividend has been maintained at 3.3p.

Mr Marlow said that 3i was reviewing its policy on valuations and provisions to see if they were still appropriate now that there were signs of the ending of the recession. This had nothing to do with the planned flotation or with attempts by the British Venture Capital Association to encourage venture capital firms to adopt a common set of valuation rules, however.

Mr Marlow suggested that 3i would ease its internal valuation rules though they would remain conservative. "We often realise our investments significantly above our valuations," he said. If there is a 50 per cent (or more) chance of a company failing, it is written off in full, according to present rules on provisions. 3i last made a minor adjustment to its valuation principles two years ago.

Profits after tax were £44.5m (losses £78.2m). This was made up of revenue profits (interest and dividend earnings minus costs) down to £14.1m (£21.7m), losses of £7.9m (profits £11.8m) and a £38.4m appreciation (£111.7m depreciation) in the value of unrealised assets.

Sherwood pays £14.3m for sock business

By Daniel Green

SHERWOOD GROUP, the Nottingham-based lace and garment maker, yesterday doubled its share of the £500m UK sock market with the £14.25m purchase of family-controlled Charles W Hall.

The move comes just seven months after Sherwood entered the sock business by buying Seden Holdings for £11.75m.

Sherwood is paying for Hall in cash, shares and loan notes. Some £10.5m of the consideration was raised yesterday by the placing of new shares at 675p. A further £1.75m comes from cash resources and the remainder is accounted for by shareholders in Hall taking Sherwood shares instead of cash.

The purchase continued Sherwood's diversification programme. "Lace was dominating sales," said Mr David Parker, chairman and managing director. Socks were attractive because, like lace items, they sell at less than £10, have "repeat purchase appeal" and sales are "resilient" to economic downturns.

The combined company will account for about 20 per cent of UK sock production.

Hall makes low-to-mid-priced socks sold through chain stores and grocery outlets such as BhS and Tesco. Seden makes higher priced socks and includes Marks and Spencer among its outlets.

The acquisition will also help Sherwood's exports. More than 10 per cent of production is already exported.

County NatWest, which handled the acquisition, said the share placing was completed yesterday.

The 675p placing price represented a 3.6 per cent discount to the market price of the shares after the 1991 dividend, for which the new shares are not eligible, was stripped out.

Sherwood shares closed unchanged at 708p. With a market capitalisation of more than £130m, Sherwood is one of the largest companies quoted on the USM. Senior executives said the company would seek a listing "in the near future".

Outcome hangs on whether target can meet profits forecast

Williams' bid for Racal in the balance

By Roland Rudd

THE OUTCOME of Williams Holdings' £784.5m hostile bid for Racal Electronics will be closer than anticipated as some big institutional investors not expected to back the bidder were yesterday showing signs of moving towards the Williams camp.

However they said they would not make up their minds until this evening.

Lasmo, the oil exploration company, which surprised the City by narrowly winning its takeover battle for fellow oil and gas group Ultramar, has added credibility to Williams' chances of winning.

The bid does not formally close until Sunday, but most investors are expected to make up their minds by the end of today.

However, the first fund manager to publicly declare his decision came out against the bid.

Mr Tom O'Connell, a director of the GRE Asset Management, which holds 70m Racal shares, said: "I think both teams could manage the company well, which is why we feel there is no point in having our shareholding diluted by Williams' paper."

The Williams 3-for-20 share offer, plus 10p cash per Racal share, is worth 56.2p per Racal share, compared to Racal's closing price of 50p. Some fund managers said they were tempted to take the profit at the end of a bad year.

Williams already holds 9.98 per cent of Racal after buying 99.5m shares in the market last Friday.

Most investors speaking yesterday said they were impressed by the Williams case for Racal. The industrial conglomerate has consistently increased its margins to an average of 15 per cent across all its businesses, from fire protection to building bridges. This compares with Racal's margins which are well below 10 per cent.

Mr Roger Carr, Williams managing director, appears to have come over better to institutions than Mr David Peacock, chief executive of Chubb, Racal's security business.

However, some big investors are still personally loyal to Sir Ernest Harrison, chairman of Racal, who created Vodaphone and is planning to demerge Chubb.

As one large investor put it: "We are talking about a man who builds businesses instead of taking them over."

Sir Ernest has already turned down a £450m offer for Chubb from an undisclosed third party, and would probably not accept anything lower than £700m.

Mr Nigel Rudd, Williams' chairman, said he was right to do so because the rest of Racal's businesses are either making only a small profit or a loss. Thus the rump, in Mr Rudd's view, is not worth more than £300m, which values the whole group at £1bn with £300m debt – still below his final offer, after the borrowings are excluded.

Sir Ernest strongly disagrees, arguing that he would be delighted to talk about a bid for Chubb at a serious price – implying that such a price would have to be in the range of Williams' current bid for the whole group.

The key question is whether investors believe that Racal can deliver its profits forecast.

Racal, spurred on partly by the Williams bid, has reorganised its businesses, cut costs and is forecasting full-year pre-tax profits for 1991 of £50m. Most analysts of the electronic sector are now assuming pre-tax profits of £100m for the following year.

The Takeover Panel recently ruled that Williams' statement that Racal had failed to live up to any of its forecasts was not misleading.

If investors believe Racal can deliver its latest profits forecast they will probably stick with Sir Ernest. If not, it will be difficult for them to resist the immediate short-term profit they will receive if they accept Williams' offer.

Panel to investigate Midland purchase of Maxwell loan

By Robert Peston

THE TAKEOVER PANEL is examining the circumstances surrounding the transfer of tens of millions of shares in Mirror Group Newspapers from the control of Lehman Brothers, the US investment bank, to the control of Midland Bank, the fourth biggest UK clearing bank.

It emerged yesterday that in the weeks after Mr Robert Maxwell's death on November 5 Midland bought out a loan, believed to have been more than £20m, made to the Maxwell private companies by Lehman

"We bought Lehman out", Mr Brian Goldthorpe, Midland's deputy chief executive said yesterday. He explained that the reason for this was to secure control of the collateral for the Lehman loan, which were the MGN shares.

Lehman had been threatening to sell the shares, Mr Goldthorpe said. If it had done so, lenders to the Maxwell private companies would no longer have had control of more than 50 per cent of MGN' shares.

The big UK banks wanted to ensure that they had control of a majority of MGN's shares, so that they could exact a substantial premium for the shares when selling them. A buyer would pay more per MGN share for a majority holding than a minority stake.

However, Midland's purchase of the loan may indicate that it was acting in concert, under the terms of the takeover code, with other banks holding MGN shares as collateral. NatWest alone controls 131.4m MGN shares.

The Takeover Panel said yesterday that it would consider the Midland deal in deciding whether to give the banks a waiver from the obligation to make a bid for the whole of MGN. Under Panel rules, anyone buying more than 29.9 per cent of a company is normally obliged to bid for the whole company.

Bugging claims probed

POLICE ARE to investigate allegations of electronic surveillance at the offices of Mirror Group Newspapers. The allegations emerged following the death of Mr Robert Maxwell.

It was said that Mr Maxwell had ordered surveillance of the telephones of a number of top executives at MGN and at the nearby headquarters of Maxwell Communication Corporation, including his son Kevin. MCC was not included in the announcement of the present investigation.

The City of London Police said that a report would be compiled about possible offences under section one of the Telecommunications Act 1984, which outlaws intentional interception of a communication in the course of its transmission by post or by means of the public telecommunications system. It would be sent to Crown Prosecution Service.

MGN called in the police when evidence of the bugging was discovered a little less than two weeks ago.

Brent Walker still has to deal with two outstanding issues

By Roland Rudd

MR KEN Scobie, chief executive of Brent Walker, said there were still two main outstanding issues facing the troubled leisure group whose shareholders yesterday approved a restructuring plan.

First, he hoped the arbitration process to settle the group's £292m claim against Grand Metropolitan – over the purchase of the William Hill chain of betting shops in 1989 – could start in January. Brent Walker still owes Grand-Met £50m.

Second, Brent Walker wants to terminate its joint venture, Walker Power, with Power Corporation.

On a separate matter, Mr Scobie said the group was still pursuing £12.5m which could not be traced. He said it was his understanding that under Mr Walker's tenure as chief executive, any payment over £50,000 had to be authorised by Mr Walker.

Mr Walker has accused the board of trying to blacken his name. He was still not without his supporters yesterday.

At the end of the extraordinary meeting, an elderly man spoke out against the banks which had lent Mr Walker the money he was eventually unable to pay back. "It was the banks who made the mistake, not Mr Walker," he said.

The only bone of contention at the meeting was over the board's decision to sell its brewery to Midlands-based Wolverhampton & Dudley Breweries and not to its management.

This prompted Mr Ted Leadbitter, who is Labour MP for Hartlepool and was present at the EGM, to accuse the board of selling out the interests of its local managers.

Burton directors take pay cuts as profits slump

By John Thornhill

DIRECTORS of Burton Group have collectively taken a big pay cut in response to the slump in the fashion retailer's pre-tax profits.

In 1990 four directors received more than £415,000 in fees, incentive payments and other emoluments with the then chairman Sir Ralph Halpern being paid £640,000.

The company's accounts for 1991 released yesterday revealed that the highest paid director received just over £410,000 last year with the next highest paid director receiving about £200,000.

Total emoluments for the 14 directors in 1991 amounted to £2.52m compared with the £3.09m the 11 directors received the year before.

However, the company paid out £3.17m to former directors as compensation for loss of office.

Last year Burton's pre-tax profits fell from £146.1m to £11.2m in the face of "the toughest recession faced by the retail industry for 20 years".

Mr Laurence Cooklin, chief executive, said the company could not simply rely on resumption of economic growth to restore profitability.

The benchmarks for success in the 1990s would be about squeezing more sales from the same space and managing the supply chain and profit margins more efficiently.

Scottish Asian Inv to become onshore

The Scottish Asian Investment Company, a Jersey-based offshore closed-end fund, is set to come onshore and adopt investment trust status in an attempt to reduce the discount to net assets at which the shares trade.

The fund manager, Murray Johnstone, said that interest in the offshore funds market had dried up in recent years and there was accordingly a lack of liquidity in the shares.

Kevin Maxwell's silence battle may go to the Appeal Court

By Robert Rice, Legal Correspondent

MR KEVIN MAXWELL'S court battle over his right to refuse to answer questions about the missing Maxwell millions, looked to be heading for the Court of Appeal last night after a day spent trying to convince the High Court to hold a full hearing.

His counsel, Mr Michael Briggs, told Mr Justice Hoffmann it was a matter of the "utmost concern" that Mr Maxwell should know what his legal duties and rights were and the proper course to take in response to court orders requiring him to provide financial information to Mirror Group Newspapers and the provisional liquidator of Bishopsgate Investment Management, which managed Maxwell pension funds.

Mr Maxwell is seeking to be excused from complying with an order made ex parte by Mr Justice Morritt on December 8 requiring him to disclose on affidavit all his knowledge of any transaction involving property funds or assets of BIM or of the common investment fund managed by BIM from October 1989 to date.

In a separate action for damages for breach of trust, fraud and conversion brought by MGN against Mr Maxwell, his brother Ian and the personal representatives of their late father, Mr Maxwell is seeking to be excused from meeting some, but not all, of the requirements to disclose information contained in an order made by Mr Justice Wright on December 12,but not yet put into effect.

Mr Philip Heslop QC, for the provisional liquidator of BIM, urged that the hearing should be shortened to allow a final ruling to be obtained from the Court of Appeal before Christmas on whether Mr Maxwell could rely on the common law right against self-incrimination as a grounds for refusing to answer questions.

"Mr Kevin Maxwell is, on the current evidence, the person most likely to be able to give the information the liquidator urgently needs if he is not entitled to remain silent," said Mr Heslop.

In an attempt to short-circuit proceedings Mr Justice Hoffmann said that in the light of previous judgments on the issue, arising from the Levitt and Barlow Clowes cases, he was prepared to rule against Mr Maxwell in order that the matter could be dealt with by the Appeal Court as soon as possible.

Kevin Maxwell: attempting to find his rights and duties

Mr Briggs opposed this however, arguing that without a reasoned decision from the High Court Mr Maxwell would have very little on which to base his appeal. A better solution would be for the High Court to hear Mr Maxwell's application in full and then for the matter to be sent straight to the House of Lords leapfrogging the Appeal Court so that a final and definitive answer could be given.

After a short adjournment Mr Justice Hoffmann ruled against Mr Maxwell on the BIM application on the basis of the High Court's decision in the case brought by Mr Roger Levitt on the same point. He was not entitled to invoke the privilege against self-incrimination in respect of an order to disclose information made in Companies Court proceedings under the 1986 Insolvency Act.

In the MGN application it was decided in principle that Mr Maxwell could claim the right to silence in respect of orders obtained in ordinary proceedings launched by private writ.

The case being brought against Mr Maxwell by MGN is a writ action. In the BIM case, the liquidator claimed that its disclosure orders were obtained in both private writ and Companies Court proceedings.

Mr Briggs said the action brought by MGN alleged a "fraudulent conspiracy" by the late Robert Maxwell and his two sons to dishonestly misappropriate £170m.

The court was entitled to look at MGN's allegations to see whether there was a reasonable and "not fanciful" risk that Mr Maxwell might incriminate himself if he answered the company's inquiries. A charge of conspiracy to defraud was, theoretically at any rate, on the cards, he said.

Mr Charles Falconer, QC, for MGN, had earlier told the court its evidence showed that, of the £170m removed from the company, £120m was taken out on the authority of the late Mr Robert Maxwell; £39m on the authority of his son, Ian, and a little more than £11m on the authority of Mr Kevin Maxwell.

Of the total, £50m could be identified as going to a Chase Manhattan Bank account in the name of Maxwell Communications Inc, £12.25m to London and Bishopsgate Group and £23.3m to BIM.

The remaining money went to a series of banks and investment houses, but MGN had not yet been able to find out where it went after that. The company needed Mr Maxwell's help to do this.

The hearing continues today.

UK COMPANY NEWS

Royal makes key board changes

By Richard Lapper

ROYAL Insurance, the weakest of the UK's composite insurers, yesterday appointed Mr Richard Gamble as its new chief executive and announced a number of other key changes.

Further restructuring, including a slimming down in staff numbers at its head office, will be announced in the new year as part of a recovery plan which Mr Gamble, chief operating officer for the best part of 1991, has helped engineer.

Mr Ian Rushton, the current chief executive, continues in his role as vice-chairman but is expected to spend more time on industry matters in his role as chairman of the Association of British Insurers.

Mr Roy Elms, a former head of the group's successful Canadian subsidiary, is appointed to the new position of group underwriting director and also joins the board.

Other changes announced yesterday include the appointment of Sir Max Williams as deputy chairman. Sir Max, a director of Royal since 1985, is also a director of 3i Group and a former senior partner of Clifford Chance, the city law firm.

Mr Gamble, now 52, joined Royal in 1989 from British Airways, where he was deputy finance director. His long career in industry includes spells at Hill Samuel, Northern Telecom and McDonnell Douglas.

Richard Gamble: tough new financial disciplines

With the partial exception of Eagle Star, which is a subsidiary of BAT Industries, this is the first time that any of the UK's leading composite insurers has appointed an outsider to the post of chief executive.

Promotion has traditionally been based on seniority but the appointment reflects a broader change of mood in an industry where financial management is becoming tighter and strategic planning more sophisticated.

Mr Elms' long-term experience in insurance and Royal, which he joined in 1950, will help balance Mr Gamble's broader industrial background. This blend will increasingly influence management style throughout the organisation.

Like Mr Gamble, Mr Mike Dowdy, the finance director appointed earlier this year, was also recruited from outside insurance industry ranks.

Mr Gamble has already imposed tough new financial disciplines on the company's operating subsidiaries as part of efforts to reduce expenses and improve underwriting results.

Firm financial reporting – based on a rigorous timetable of monthly meetings between Mr Gamble and the executives in charge of key operating subsidiaries – will be the main lever of control.

The company however, is still short of capital. Plans to raise cash via the issue of a convertible security were recently scrapped and although Royal has raised £249m by the sale last week of its 18.8 per cent stake in Aachener & Munchener this will improve cash flow rather than strengthen assets.

First Tech moves back into black

By Andrew Bolger

FIRST TECHNOLOGY, the recession-hit automotive parts and safety group which saw its share price crash last year, has crept back into profit in the six months to October 31.

Mr Fred Westlake, chairman and chief executive, said the company had cut costs and sold subsidiaries involved in vehicle design and environmental control systems.

After breaching its bank covenants in May, the group had negotiated revised facilities with its bankers, Barclays and National Bank of Detroit, which continued to support the group's strategy of focusing on its core business of safety dummies and electronic sensors.

Pre-tax profits of £83,000 compared with a £836,000 loss last time. Turnover fell from £18.2m to £16m. Mr Westlake said that after the disposals, he expected annual turnover would be about £20m.

Losses per share were 0.3p (3.5p) and the interim dividend is passed (1p).

Group gearing had been reduced from more than 300 per cent at the last year end to the current level of just under 200 per cent, and should be about 150 per cent by the next year-end. Interest paid increased from £347,000 to £425,000.

There was an exceptional charge of £300,000 to cover professional fees paid to the banks and advisers for arranging the revised banking facilities. This was offset by an exceptional gain of £1.63m, comprising released provision relating to the closure of the Anglo-Swedish vehicle design business and the profit less losses on the disposals.

The shares, which started last year at 500p, closed 1p down at 30p.

Accor bids £14.8m for Finotel through its Sphere subsidiary

By John Thornhill

ACCOR, the French hotels group which has just had its bid for Wagons-Lits, the Franco-Belgian travel group, suspended by the European Commission, is planning a significant expansion drive in the UK with the aim of becoming one of the largest operators of two-star hotels by the end of the decade.

The company is currently offering to buy out the remaining shareholders in Finotel, which runs four Ibis hotels in the UK, with the aim of expanding the chain by three to four hotels each year this decade.

The cash offer, which is being made through its Sphere UK subsidiary, values Finotel at £14.8m. Under an innovative arrangement, those shareholders who accept the offer will be able to receive their cash even if the offer does not go unconditional.

The Ibis chain has been badly hit by the recession, but Sphere plans to run 30 hotels by the turn of the century with the option of franchising other operations. Additional injections of capital would, however, be needed within a year to fund any such expansion.

Sphere, which is being advised by Kleinwort Benson, said it may subsequently reduce its shareholding by placing shares with institutional investors or seeking a public listing for the company.

The offer for Finotel was triggered by the exercise of share options this week taking its shareholding to 30.2 per cent. Under City takeover rules this meant that Sphere had to bid for all the remaining shares.

Sphere was one of the founding shareholders of Finotel, set up in 1983 to develop and run Ibis hotels in the UK.

Finotel runs four hotels at Heathrow, Euston, Luton and Swindon with a total of 760 bedrooms. In 1992 it will open three hotels at Bradford, Canterbury and Hanley.

Although it will co-operate closely with Sphere's management, Finotel will continue to be independently managed. Sphere itself runs two Ibis hotels in Greenwich and Southampton.

Accor owns 74 per cent of Sphere Group (Sphere UK's parent company). Under its guidance Ibis has grown to become the biggest chain of two-star hotels in Europe.

Classic Thoroughbreds cuts back losses by I£1m to I£1.6m

By Peggy Hollinger

CLASSIC Thoroughbreds, the USM-quoted bloodstock company which is in the process of selling its racing interests, has cut pre-tax losses by I£1m to I£1.6m (£1.48m) for the six months to June 30. Total revenue increased from I£119,000 to I£176,000.

The groupyesterday said it would make a recommendation on its future early next year.

It is in talks with as many as five possible bidders, the strongest runner of which is believed to be Leisure Holdings, a private hotels and tennis club group which once had significant bloodstock interests.

Mr Vincent O'Brien, chairman of Classic and a well-known trainer, left room for the group to abandon its bloodstock interests altogether. He said only 10 per cent of shareholders had expressed an interest in maintaining the thoroughbred link.

Announcing the interim results, Mr O'Brien said that the group had sold its interests in 16 of its 22 horses. This was in accordance with its programme to withdraw from racing and bloodstock, becoming, in effect, a shell company. The company said it had cash of more than I£3m.

Exceptional charges of I£1.6m (I£2.3m) were taken to account for losses on the horses sold and those yet to find buyers. Most of Classic's problems stem from the sharp drop in the value of thoroughbreds, although the group's failure to produce classic winners has severely hindered its ability to buy top class horses.

Classic, set up in 1987 by Mr O'Brien and wealthy supporters including Mr Michael Smurfit, Mr Robert Sangster and Mr John Magnier, won just 18 races during the 1991 season. The group's share of winnings came to I£131,538.

Classic's less-than-sparkling track record has come under fire from disgruntled holders of its 71m shares, which last night rose ½p to 3½p.

NEWS DIGEST

Competition clips 22% from Dakota

DAKOTA GROUP, the Dublin-based packaging and printing company, blamed "intensely competitive" conditions in the packaging market for a 22 per cent contraction in annual profits.

The outcome at this USM-quoted group for the 12 months to end-September – I£1.18m (£1.09m) against I£1.52m last time – came on turnover ahead to I£29.8m (I£16.2m) partly reflecting a full year's contribution from Formprint, the computer listing paper maker in which Dakota acquired a 55 per cent stake in August 1990.

Fully diluted earnings worked through at 3.1p (4.4p) per share. A proposed final dividend of 0.6p leaves the total for the year unchanged at 1.1p.

Tinsley Robor £0.4m in the red

Tinsley Robor, a specialised printer and packager, ran up a loss of £398,000 pre-tax for the half year ended September 30 compared with depressed profits of £431,000 previously.

Losses per share emerged at 1.37p (earnings 1.09p) and the interim dividend is passed – 0.75p was paid previously.

The profits downturn came on turnover 9 per cent lower at £10.8m. The largest loss was incurred in the label printing company where sales declined by 18 per cent.

At September 30 borrowings were little changed at £7.4m (£7.3m) but gearing moved up to 84 per cent (78 per cent).

Receivers go in at City & Westminster

Mr Phillip Sykes and Mr Peter DuBuisson of BDO Binder Hamlyn have been appointed administrative receivers at City & Westminster Group, the USM-quoted mini-conglomerate, and its subsidiary A&M Furniture Hire.

City and Westminster's shares were suspended at ½p in December 1990 after the group failed to produce reports and accounts for the years to March 31 1990 and 1991.

Mr DuBuisson said: "We believe we will receive offers for the business of A&M. It is well established in the film and TV industries and is continuing to trade normally."

Wilton makes £1.59m placing

Wilton Group, the USM-quoted property and investment concern, is raising a net £1.59m by a placing and offer to reduce debt. The offer will be on a 1-for-4 basis at 1¾p against a closing price last night of 2p.

Directors said the funds were needed at present due to the substantial investment in raising its holding in Cowan de Groot to 69.9 per cent which has strained working capital resources.

The group also inherited debt with the acquisition of Cowan's property portfolio.

Mr Michael Buckley, who holds 21.2 per cent of Wilton has undertaken not to take up any new shares.

Haemocell losses in line with forecast

As forecast at the time of the share placing in October, pretax losses at Haemocell, the USM-quoted manufacturer of medical and surgical equipment, increased from £893,000 to £1.75m in the year to end-August.

Turnover fell from £323,000 to £295,000, and after an exceptional charge of £383,000, the operating loss rose to £1.76m (£906,000). Losses per share were 11.6p (7.1p). There is no dividend.

A marketing and licensing agreement has been entered into with Stryker Corporation of the US.

Under the agreement, which, after an initial five-year term is renewable for a further five years, Stryker has been granted exclusive worldwide rights to distribute and market the company's S350 autotransfusion equipment.

Mr Andrew Priestley, chairman, said there had been little improvement in trading conditions in the UK since the year end, although the high level of interest in S350 gave good cause for optimism longer term.

Deficit deepens at Abbey Panels

Continuing losses at Abbey Panels Investments left the West Midlands-based engineer and components manufacturer with pre-tax losses of £234,000 for the year to September 30, against profits of £1.49m.

At the halfway stage, losses were £110,000, compared with profits of £610,000. Following the passing of the interim the directors are proposing no final dividend.

Last year there was a total payment of 3.5p.

Turnover for the year was £18.2m (£18.1m) giving an operating loss of £357,000 (£1.42m profits).

Net investment income was higher at £123,000, against £75,000.

Losses per share were 10.9p compared with earnings of 38.41p.

Abtrust Preferred net assets at 78.86p

At the end of its initial accounting period to November 30, the net asset value per ordinary income share of Abtrust Preferred Income Investment Trust was 78.86p. The net asset value of the zero dividend preference shares stood at 105.72p.

This split capital investment trust, launched in May this year, reported revenue before tax of £1.09m. Gross revenue was £1.22m.

Tax took £272,297 and earnings per ordinary income share came out at 9.08p. A maiden interim dividend of 5.8125p is declared.

As indicated in the original prospectus the board expects total dividends for the year to May 31 to amount to 11.625p.

Losses at BB&EA rise to £397,000

Further losses were reported by British Building & Engineering Appliances in the six months to September 30.

Losses before tax of this building products group grew to £397,000 against £115,000 in the comparable period and £575,000 at the March 4 year end. Turnover fell to £1.68m (£2.8m).

The company said that the recession continued, irrespective of disclaimers to the contrary, and turnover remained at a low point and was insufficient to cover fixed overheads.

Losses per share increased to 2¼p (6.2p) and in view of the continuing loss there is no interim dividend this time (0.5p).

Assets decline 10% at I&S Optimum

Net asset value at I&S Optimum Income Trust declined 9.6 per cent to 82.7p per share over the six months to November 30.

Net revenue in the half year was £1.14m (£1.29m) and earnings per 10p ordinary share fell from 4.44p to 3.94p as a result of the decline in the level of interest received from fixed interest securities and funds held on deposit – £73,000 (£296,000). The income generated by the equity portfolio rose from £1.22m to £1.42m; unfranked income was £170,000 (£389,000).

A second quarterly dividend of 1.8p makes a total of 3.6p so far, a 4.3 per cent increase over the 3.45p of the corresponding period.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on 20.12.91: Pool purchase price £/MWh	Final Prices for Trading on 21.11.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.38	16.54	16.54
0100	18.91	18.33	21.28
0130	22.73	21.82	24.86
0200	22.73	21.82	24.87
0230	18.91	18.33	21.28
0300	18.59	18.33	21.28
0330	17.54	16.63	16.63
0400	17.45	16.57	16.57
0430	17.38	16.54	16.54
0500	17.38	16.54	16.54
0530	17.42	16.51	16.51
0600	17.42	16.51	16.51
0630	17.42	16.54	16.54
0700	18.85	16.57	16.57
0730	19.73	18.78	21.73
0800	20.31	18.92	21.89
0830	21.63	20.43	23.45
0900	21.85	20.43	23.46
0930	22.70	21.38	24.42
1000	27.70	22.12	25.19
1030	22.69	22.12	25.19
1100	22.68	21.38	24.42
1130	21.85	20.43	23.45
1200	21.64	20.43	23.46
1230	21.62	20.48	23.45
1300	20.50	20.43	23.43
1330	20.60	18.09	21.01
1400	20.32	17.15	17.15
1430	20.32	16.83	16.83
1500	20.32	16.83	16.83
1530	20.32	16.83	16.83
1600	20.46	18.74	18.74
1630	24.16	28.34	31.63
1700	31.64	29.61	33.15
1730	34.53	30.65	34.08
1800	32.44	30.22	33.66
1830	26.99	29.72	32.30
1900	22.65	21.51	24.50
1930	21.70	21.50	24.49
2000	21.39	18.92	21.88
2030	21.10	17.91	20.83
2100	19.70	17.58	20.47
2130	19.62	17.58	20.48
2200	19.52	16.60	16.60
2230	19.52	16.57	16.57
2300	17.42	16.53	16.53
2330	17.21	16.46	16.46
2400	17.14	16.45	16.45

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

UK COMPANY NEWS

Monarch shares dip as US group pulls out of project

By Kenneth Gooding, Mining Correspondent

SHARES IN Monarch Resources, the gold mining company with operations solely in Venezuela, fell by 10p to 98p yesterday after it announced that Cyprus Gold of the US was pulling out of the *La Comorra joint venture project.*

Analysts suggested that future significant earnings from Monarch depend on the success of *La Comorra* which, when it goes ahead, will be the first private underground gold mine to be developed in Venezuela for more than 50 years.

Mr Michael Beckett, chairman, said he was "delighted" that Monarch would be able to move ahead with La Comorra on its own. He said $15m to $17m (£9.3m) would be needed to establish one of the world's lowest-cost gold mines and he was confident Monarch could raise the necessary finance.

A feasibility study suggested La Comorra would cost $26m to develop but Mr Beckett said Monarch's operating experience in Venezuela in the past five years would enable the mine to be brought into production at a substantial discount and "on attractive terms for shareholders."

The feasibility study suggested, among other things, that La Comorra would have a 39 per cent rate of return and a 1.5-year payback. Mr Beckett said the mine was expected to produce about 80,000 troy ounces of gold a year from mid to late-1993 at a cash cost of $114 an ounce. The mine had a relatively short life of 4.3 years but the property was not yet fully explored.

Cyprus pulled out of the project because, if it went ahead, it was obliged to provide the first $15m of development expenditure and the consequent rate of return did not satisfy its corporation requirements.

Mr Beckett pointed out that the joint venture deal was signed before the new management stepped in at Monarch in the spring this year. "We would not have entered into it," he said. "We are very pleased to have 100 per cent of a nice, small mine in a major gold mining area."

Bankers Inv Trust net assets up by 38%

NET asset value per share of The Bankers Investment Trust increased by almost 38 per cent to 123.9p at October 31 compared with 90.1p a year earlier.

The net asset value total return of the trust has increased by 49.9 per cent and more than fivefold over one and ten years respectively.

The board said that the main driving force behind stock markets over the past year had been the swift end to the Gulf war combined with moderating inflation and declining interest rates.

The company had maintained some gearing in rising world stock markets. The weighting in Japan had been negligible, which had been to the company's advantage.

The main tactical change had been to increase the weighting in smaller companies in the UK and US. There had also been a reduction in sterling exposure to below 50 per cent of net assets.

Net revenue rose 7 per cent to £5.38m (£5.02m) and earnings per share were up from 3.21p to 3.44p. A fourth interim dividend of 0.8p makes 3.2p (2.78p) total.

United Artists and US West joint venture

By Raymond Snoddy

TWO OF the UK's largest cable operators, United Artists and US West, have announced that they are combining their cable television and telephone operations.

The new 50-50 joint venture will involve a total investment of more than £500m.

The new venture is involved in franchises covering 2.9m homes – about 12 per cent of all the homes in cable franchises in the UK.

US West, one of the regional telephone giants created out of the break-up of Ma Bell in the US, already has between 25 per cent and 30 per cent stakes in a number of United Artists franchises.

The areas involved include south London, Edinburgh, Avon, the Thames estuary and Birmingham.

RECRUITMENT

JOBS: People thrown out of work cannot be blamed for clutching blindly at straws

Full marks for cleverness, but not for quality

By Michael Dixon

WHAT message, I wonder, would readers glean from the following headline on an advertisement appearing in a newspaper's recruitment pages? The Jobs column has been alerted to it by one of your number who saw the ad in the FT a few weeks ago, and promptly replied to it.

Smart Move
Accountants/MBAs Aged 28+
c.£40-100,000

The inference drawn by the reader concerned was that jobs were on offer. So, since he fitted the headline's unusually broad specification, he asked to be considered for one of them. Ironically, practising what had been preached to him by a friendly recruitment consultant, he stated point blank that he was a redundancy victim.

Guess how the advertisers, Chryssaphes Flammiger Associates of London, responded. They sent a letter saying they had no post on their books that suited *him*, but *he* might be interested in their career-counselling and job-search training service, which included four-hour "workshops" at £500 plus VAT.

So what, *if anything*, is wrong with that? Certainly nothing that could be deemed damaging, let alone unlawful. For instance, from a dispassionate observer's viewpoint, at least, it is clear that the text of the ad contained no implication at all that the headline referred to job-openings.

True, the text said: *Our entirely new consulting practice is specifically targeted at individuals meeting the above parameters.* But it offered nothing to such individuals except a *practical career management and redundancy counselling programme.*

Moreover the evidence is that, besides being in high *demand at* times like the present, such programmes are on the whole valued by job-losers who go through them. I say that on the *strength not just of a poll by* Methven Career Development of 50 discarded senior executives on its own books, but of a free-standing study of so-called outplacement *services* in Britain carried out by the Windsor-based Kingsland James management consultancy and the market-research arm of Business Management Services.

Their joint report *is* intended *for* the chiefs of companies shedding staff (and priced accordingly at £245), with the result that it devotes much space to corporate policies. Nevertheless it also includes a survey of 201 individuals contacted independently of any outplacement consultancy, who have gone through the process.

Views on it differed markedly with whether it was paid for by the ex-employer, which applied in 155 cases, or personally financed as it was in the other 46. Of the 156, 62 per cent were generally satisfied with the experience, and 68 per *cent had been offered at least one* job as a result. Among the 46, general satisfaction was reported by only 40 per cent, although 44 per cent had had one offer or more.

Even so, when asked about the quality of outplacement services, both groups alike judged it more of a level that they were prepared to tolerate, than one they properly deserved. Which brings us back to the Chryssaphes Flammiger advert cited earlier.

Since its aim was to launch a new company, Harry Chryssaphes's explanation of the headline is understandable. It was designed "to catch the eye and not to deceive," he says, and the text "made it unambiguously clear what it was about." People who reacted to the headline without fully reading the text – and it seems the reader I've mentioned was far from alone in doing so – "have only themselves to blame."

While that is no doubt true in a rationalistic sense, however, I still feel the tactic was ill fitted to the *circumstances of its* use. I have no qualms about the pulling of such dodges on folk who can be expected to be mostly in an untroubled states of mind. But here the target buyers *could* be *counted on* to be undergoing the anxieties, if not traumas, job-loss is known to breed.

When people in that state are offered straws of the sort represented by the ad's headline, they surely cannot be blamed for being so keen to clutch at them as to be blind to the fact that they are not substantiated by the small print beneath. In short, however much the tactic may have succeeded in being clever, it fails on grounds of appropriate quality. It is surely less than the clients deserve.

WHICH said, and this being the last Jobs column of the year, let's turn to the underlying guide to the cost of both acquiring and trying to escape a seasonal hangover in 19 big cities. The figures are kindly provided by the London arm of the ORC consultancy.

The first three columns of figures give the "on-cost", *the local* prices of 75cl bottles of a particular (but undisclosed) brand of whisky and then of gin, followed by the average of both. The later columns do likewise for the "off-cost": 12 Alka Seltzer, 100 branded aspirins and a pound of ground coffee.

As may be seen, the three most expensive carousing centres are Scandinavian. It so happens that *they headed the list in the same* order in last year's table, based on data from a different source.

THE PRICE OF OVER-INDULGENCE AROUND THE WORLD

City	75 cl Scotch £	75cl Gin £	*Average on-cost* £	12 Alka Seltzer £	100 Aspirin £	16oz Coffee £	*Average off-cost* £	Average full cost £
Helsinki	30.83	25.12	*27.98*	1.00	3.66	2.12	*2.26*	30.24
Stockholm	30.09	22.47	*26.28*	0.77	2.99	2.07	*1.94*	28.22
Copenhagen	27.53	15.58	*21.56*	0.72	5.37	2.72	*2.94*	24.50
Singapore	22.87	18.89	*20.88*	1.20	4.62	2.60	*2.81*	23.69
Tokyo	18.51	11.65	*15.08*	–	9.71	6.04	*7.88*	22.96
Moscow	23.42	7.88	*15.65*	1.35	6.15	4.95	*4.15*	19.80
Sydney	17.11	10.14	*13.63*	1.22	3.21	3.37	*2.60*	16.23
Vienna	15.25	8.25	*11.75*	1.61	4.60	2.96	*3.06*	14.81
London	14.78	9.97	*12.38*	1.41	2.92	2.43	*2.25*	14.63
Cairo	14.25	10.90	*12.58*	0.23	1.96	3.56	*1.92*	14.50
Hong Kong	12.60	10.12	*11.36*	1.10	3.80	3.28	*2.73*	14.09
Amsterdam	11.97	9.02	*10.50*	1.36	7.42	1.69	*3.49*	13.99
Frankfurt	11.03	7.53	*9.28*	1.85	6.83	2.54	*3.74*	13.02
New York	11.22	9.83	*10.53*	1.03	3.42	2.32	*2.26*	12.79
Toronto	12.11	9.77	*10.94*	1.03	2.12	2.17	*1.77*	12.71
Brussels	12.54	8.79	*10.67*	1.07	3.04	1.91	*2.01*	12.68
Madrid	11.92	6.63	*9.28*	1.82	5.17	2.04	*3.01*	12.29
Paris	12.02	8.58	*10.30*	1.02	3.39	1.21	*1.87*	12.17
Milan	8.53	5.21	*6.87*	1.63	8.09	3.04	*4.25*	11.12

BANKING FINANCE & GENERAL

DIRECTOR
INTERNATIONAL FINANCIAL SERVICES

Our client, based in a popular Middle East location is seeking a seasoned senior banker with a broad background of market and management skills and diverse knowledge of activities in the financial field to promote overseas investment and to revitalise the banking sector.

The incumbent will need to liaise closely with Government Ministries, the Central Bank and the banking and insurance community as well as international financial institutions, national professional associations, investment promotions boards; other potential resources of new investment will need to be developed and maintained through high quality research and a well thought out calling plan.

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Arabic speaking and highly versed in the most modern evaluation techniques, the successful candidate will be responsible for preparation of economic and financial reviews and the identification of investment opportunities. In-depth involvement in the formulation of investment strategy will be a prime feature of the position.

Interested applicants should send their Curriculum Vitae in confidence to:
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INTERNATIONAL FINANCIAL RECRUITMENT CONSULTANTS

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London EC3V 9BY

Devonshire Executive Ltd

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Applicants should write to Joan Smith at the address below, enclosing a detailed CV and quoting reference number 24/IR.

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Please write enclosing full career details to Box A1714, Financial Times, One Southwark Bridge, London SE1 9HL

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Interested individuals with the necessary qualifications should forward their CV *in strictest confidence to:*

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Marakon Associates

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Please reply in writing together with C.V. to The Manager Chin **Tung Europe Ltd, Suite 36/37, 2/F Ludgate House, Ludgate Circus, 107 Fleet Street, London EC4A 2AB Fax: 071-353 2707**

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3 London Wall Buildings, London Wall, London EC2M 5PJ
Tel: 071-588 3588 or 071-588 3576
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CJRA

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CAMPBELL-JOHNSTON ASSOCIATES RECRUITMENT ADVERTISING LIMITED, 3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ. TELEPHONE: 071-588 3588 or 071-588 3576. TELEX: 887374. FAX: 071-256 8501.

GENERALE BANK
LONDON BRANCH

requires for its business expansion a Marketing Officer to develop relationships with *mid-sized* UK companies with a *European dimension. Candidate should be a self-starter and have at least 2 to 3 years of successful calling experience in the middle market, amongst others, in S.E. England. Knowledge of French is beneficial.* Competitive salary plus benefits. Handwritten application together with C.V. to be addressed to:

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Bavaria House
13/14 Appold Street,
London EC2A 2DP

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International Banking Consultants

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Training and marketing is on a worldwide basis and so this challenging position would involve some overseas travel.

Please write enclosing a CV to:

Bruno Curnier, Managing Director
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ACCOUNTANCY COLUMN

Andrew Jack examines the latest cause for concern within the profession

Lessons from the Maxwell collapse

JUST WHEN it seemed safe for accountancy to come out from the shadows, the Maxwell affair has dealt a fresh blow to the battered body of the profession. While the bruises of Polly Peck and BCCI are beginning to fade, the events of the last few weeks yet again raise some serious questions.

In fact, compared with many of the other recent corporate collapses, auditors have so far remained outside the *spotlight of publicity*, as commentators have focused on the activities of bankers, directors, pension fund trustees and members of the Maxwell family.

Mr Chris Swinson, national managing partner in BDO Binder Hamlyn and chairman of the ICA financial *reporting and auditing* group, caused some surprise when he voiced concern on the radio recently about the independence of firms which conduct *non-audit work for the clients* they audit.

However, Mr Brandon Gough, chairman and managing partner at *Coopers & Lybrand Deloitte, which* audited all the Maxwell companies, sees the Maxwell case as one in which these issues do not arise. "It is perfectly *legitimate to raise ethical* issues about accounting where they have some relevance," he says. "But they are totally irrelevant here.

He likens the firm's position as auditors to the manufacturers of burglar alarms supplying equipment to shops affected by "ram raids", where *gangs of thieves drive cars into shop* windows, steal goods on display and *speed away before they can be* caught. "It's no use a shopkeeper installing an alarm and then blaming the manufacturer when kids start using trucks to drive through the window," he says.

Nevertheless, while it may be many months if ever before the full answers are known, what has happened in the Maxwell case and other recent corporate collapses does raise a number of questions.

First, there are technical issues to be addressed. In common with many companies, the accounting policies of the Maxwell group generated some controversy. The values placed on goodwill and brands in parts of the group were viewed by some as rather high. Some of the transactions between the public and private companies and pension funds, which lie at the heart of the current investigations, took place before the most recent financial year ends.

How far do the treatments of these transactions raise difficulties about the "true and fair" nature of accounts designed to show the business as a going concern?

Much responsibility for the future treatment of these issues will lie with the work programmes of the Accounting Standards Board, and the Auditing Practices Committee.

Second is the question of potential conflicts of interest. Hugh Aldous, managing partner of Robson Rhodes, the fourteenth largest firm by fee income, is among those who argues that over the past few years the accountancy firms have started to change from *professional* partnerships into fiercely competitive high-turnover businesses, a process which is threatening their traditional reputation.

There can be little doubt that the restructuring of the large accountancy firms, fresh from mergers at a time of recession, are putting them under tremendous competitive pressure.

The big firms say this is an artificial issue. For example, Brandon Gough believes that work by Coopers' UK firm for Maxwell – providing audit and financial advice – was always less than 1 per cent of Coopers' total fee income from all clients. That currently represents about £6m. The audit fee on MCC for 1991, disclosed in the last set of annual accounts, was £2.4m.

He says that fees would never compromise an audit. "Maxwell was never in the category of clients from which we ever contemplated walking away. We had no cause to do so. "You can take it for granted that there were some fairly intensive discussions about accounting methods. But if we had any major difficulties we would have qualified the audit." He argues that the permanent threat of legal action, in which the partners have unlimited liability, prevents any such compromise to professional standards among the firms. "Litigation is a subject rarely out of the minds of partners in the different firms these days," he says.

Coopers was responsible for auditing all parts of the Maxwell group: *MCC, MGN, the private companies*, and the pension funds, all of which are supposed to be at arms' length from each other. Should different accountancy firms have represented them to ensure independence and provide checks and balances?

Hugh Aldous believes that there may be a case for appointing two separate firms as joint auditors on any company. That would help spark creative tension and reduce the potential for any complacency. The trade-off, of course, is cost.

Gough believes that allocating separate teams from the same firm, sometimes from different countries, to the individual Maxwell audits provided sufficient independence. He says that by covering the whole group Coopers was in a position to gain a better view of all aspects of its operations, with nothing concealed from the firm.

Mr Richard Stone, head of corporate finance at Coopers, and someone who had previously carried out work on the group, was appointed as investigator by the banks after Robert Maxwell's death. Might he not have had loyalties to the firm which could potentially make it difficult for him to criticise its audits?

Gough sees one point worth considering for the future. Some senior staff in the firm had been working on the same client for long periods, and at least one senior member of the audit team for MCC had been in place for more than ten years.

"There is a good case for rotating people on the audit," he says. "We depend on continuity, but a fresh per*spective is valuable. I think there is a* lot to be said for establishing a review date to explicitly consider changing the people involved. If it gives added public assurance, it is probably a good thing."

Some of the larger firms might argue that the fuss about Maxwell is caused by public ignorance of auditors' legal responsibilities, fuelled by jealously from smaller firms or a desire by the professional institutes to be seen to be doing something.

Nevertheless, it does raise many of the issues facing the profession as it now operates, and how some feel it should change in the future. That includes the issue of potential conflicts of interest over audit and non-audit work; the rotation of auditors; the role of the auditor as watchdog; and the clash between business pressures and professional integrity.

The mergers over the last few years have certainly created a situation in which there are now barely enough firms to cope with a problem as large as the Maxwell collapse. Coopers aside, the remaining top six firms and at least two others are involved in the aftermath of the Maxwell affair as receivers, administrators, liquidators or investigators.

Any new pieces of work generated by the affair are almost bound raise the question of potential conflicts of interest.

It may well be time for the profession to address these potential conflicts more actively, or risk a weakening of credibility.

COMMODITIES AND AGRICULTURE

Producers to double cobalt price

By **Kenneth Gooding**, *Mining Correspondent*

COBALT, AN essential metal for some of the superalloys used by aircraft manufacturers and for some motor industry products, is to more than double in price next year. The two leading producers, Gecamines of Zaire and Zambia Consolidated Copper Mines said yesterday they would lift their prices to $25 a lb for six months from January 1.

They have been charging $11 this year and previously had a target of $13 for 1992. However, Gecamines, a state-owned group which accounts for 70 per cent of the world's cobalt, suffered supply problems and this has seen the free market price race up in the past few weeks to reach $31-$33 a lb yesterday.

The producers said the price was being increased to "take account of the expected supply position in 1992 and in order to ensure stability in the cobalt market. We are doing it to discourage speculation".

Cominco may halt lead refining and close mine

By **Bernard Simon** in Toronto

COMINCO, The Canadian mining group, may withdraw from lead refining and close one of its lead mines if it fails to resolve soon the protracted troubles of its new smelter at Trail, British Columbia, which uses QSL, reactor-based technology.

An old smelter now operating at Trail is understood to be racking up such heavy losses that the Vancouver-based metals and fertiliser producer has also considered temporarily suspending both lead and zinc refining operations. That option has been discarded however, partly because of the risk that freezing weather at this time of year could damage unheated pipes and other equipment.

Should Cominco halt lead smelting at Trail, it would probably also close the nearby Sullivan mine. Sullivan produced 21,000 tonnes of lead concentrate last year, but is a high-cost operation with a remaining lifespan of not much more than a decade.

A retreat from lead operations is understood to be among the more radical possibilities being considered as Cominco assesses the performance of another QSL smelter at Stolberg, Germany, which will determine the future of the Trail facility. A final decision is expected by the end of February.

The tests at Stolberg are being carried out by Lurgi, the German engineering group that supplied the QSL technology for the Trail smelter. The Stolberg smelter, which is about one-third the size of the one at Trail, went into commercial production earlier this month after various modifications.

Mr Erik Menges, head of Lurgi's commercial department, said yesterday: "We are pleased with the experience so far". He added that Lurgi expected to make a detailed proposal to Cominco early in the new year. The Canadian company has sent a metallurgical expert to Stolberg as an observer.

Lurgi has as much at stake as Cominco, since it also plans to install the QSL technology in smelters in South Korea and China. Metallgesellschaft, the German metal producer, is a shareholder in both Cominco and Lurgi.

The new smelter at Trail, which has a production capacity of 160,000 tonnes a year, was taken out of service in early 1990 after operating for only three months. The main problem has been in the reduction chamber of the smelter's 40-metre long reactor, where natural gas has replaced pulverised coal as the reducing agent.

The old smelter, which has been pressed back into service, produced 69,900 tonnes of refined lead in the first nine months of this year.

Cominco is also considering alternatives to the QSL processes. It sent a trial shipment of concentrates last October to a Russian smelter which uses the Kivcet process. Preliminary results are understood to be satisfactory, but Cominco is apparently nervous about committing itself to another, largely untried technology.

The Isasmelt technology, developed by Australia's MIM Holdings, appears to have found little favour in Canada. MIM has recently expanded the application of Isasmelt to lead scrap and copper. The Australian process is best suited to higher-grade ores than those processed at Trail.

Although the problems at Trail are a major financial and operating embarrassment, Cominco has so far taken no legal action against Lurgi. The Canadian company is understood to be reluctant to become involved in a protracted wrangle in which Lurgi could argue that an untried technology seldom works perfectly from the start, and that Cominco chose to shut down the new smelter.

Doubts about copper-gold project

By **Robert Gibbens** in Montreal

PLACER DOME may delay going ahead with development of the big Mount Milligan copper-gold project in southern British Columbia because of uncertainty about achieving an economic return from the operation.

Placer, one of North America's biggest gold producers, earlier this week dropped an option to spend C$240m (£115m) on developing the Eskay Creek gold-silver property in North Western British Columbia.

Including the C$105m that it spent buying 22 per cent of the Eskay Creek property, Placer's total investment would have been about C$345m.

Analysts say that even with gold at US$400 a troy ounce Placer could not achieve its target 15 per cent rate of return on the basis of half the cash flow.

Placer has already spent C$270m on acquiring Mount Milligan and undertaking feasibility studies. Mr Fraser Fell, the chairman, has promised that a decision on development will be announced by the end of the year. The capital cost of the project has been put officially at C$440m, making a total investment of well over C$700.

Placer will not comment on rumours that the Mount Milligan decision may be delayed or will be negative.

Mr David James, mining analyst with Richardson Greenshields in Winnipeg, says the project's economics require gold at US$400 an ounce, copper at US$1.50 a lb and the Canadian dollar at 80 US cents if Placer's target return is to be achieved.

"It's hard to calculate return when you must figure in major acquisition costs," he said. "Mount Milligan may have a high grade core that could be mined in the early stages and help the economics, or reserves could be extended in giving the mine a longer life. But Placer has not given any indication."

Oil prices 'likely to remain volatile'

By **David Lascelles**, *Resources Editor*

OIL PRICES, which have been weakening for several weeks, are likely to remain volatile until the next meeting of the Organisation of Petroleum Exporting Countries on February 12, market analysts believe.

Brent crude for February delivery traded at $18.20 yesterday. Although this was slightly up on previous days' prices, it is more than $1 below the price level at the beginning of this month, and $5 below this year's high point.

Analysts say the market is going through a downward correction following fears during the third quarter of this year that crude supplies would tighten at year-end. These fears were based on a number of factors including political turbulence in the Soviet Union, continuing uncertainty about Iraq's oil situation, and the onset of winter.

In the event, none of these fears have materialised. Soviet oil supplies continue to flow on to the world market, the Iraq situation remains unchanged, and the weather has been mild in the US and Japan. The recent cold snap in Europe had only a marginal effect on prices.

Meanwhile demand remains dull because of the uncertain state of the world's major economies.

"The fundamentals remain on the soft side", said Mr Ken Miller of Houston oil traders Purvin and Gertz. He said the main factor overhanging the market could still be a severe winter.

Cambridge Energy Research Associates said yesterday that output by Opec remained high, and Saudi Arabia was producing at full capacity. There was also a lack of underlying demand because of weak and weakening economies worldwide. Inventory levels around the world were also "comfortable," the consultancy said.

CERA is predicting that oil prices will remain in the $17-$19 range in the first quarter of next year for the Opec basket, with weather acting as the determining factor. By late January, the market will begin to focus on the Opec meeting. This could be a tense gathering with Saudi Arabia striving to keep oil prices down in the face of a weak world economy and resisting pressure from other producers for action to tighten the market.

● Iraq, its oil wealth frozen by UN sanctions, said it plans to boost its oil output to 6m barrels a day, mostly by developing its southern fields, according to Mr Usama al-Hiti the oil minister reports Reuter from Baghdad.

Regenerating Argentina's forests

John Barham reports on a scheme for ecologically-sound farming

THE CHACO is a hot, dusty region of thorn bushes, woods and savannas that lies in the middle of South America. In just a few decades, the richly-diversified mosaic of forest and grasslands in the southern Chaco was stripped of its trees and its soil denuded by cattle herds.

The same cycle of settlement, destruction and decline is being repeated in the Amazon rainforest as well as other parts of the Chaco, which covers 1m square kilometres (386,000 square miles) of western Paraguay, northern Argentina and eastern Bolivia.

However, Argentine farmers and scientists now believe they have learned how to regenerate the Chaco through ecologically-sound farming, showing that fragile environments can be preserved while providing settlers with a livelihood.

The Argentine Chaco was devastated in the 1920s after it was opened up by a railway that made cattle herding and charcoal-burning hugely profitable. It also made quebracho trees, which are used to produce tannin and abound in the Chaco, a valuable commodity. But the area was over-exploited, went into decline and by the 1940s was a poverty black spot.

Today, peasant farmers survive by herding cattle and goats, further degrading the environment. They worsen the damage by trapping wildlife for the pot and to sell to collectors. But Mr Carlos Toledo, an Argentine farmer and environmental enthusiast, says he has found a simple way of regenerating the Chaco and raising farmers' incomes.

Mr Toledo says "In 1957 I read about range management and it seemed logical to me to begin enclosing small areas to stop cattle grazing. Then I realised that getting rid of the cattle regenerated the Chaco".

Within a few years Mr Toledo had 60,000 hectares of land in the backward province of Salta, 1,200 km (750 miles) north-west of Buenos Aires, in a management project to produce beef, timber and charcoal, the region's staple products.

After fencing the land, he removed fallen wood and almost all trees. The vegetation was burned to produce charcoal. A few mature quebracho and ironwood trees were left standing to provide seeds for natural reforestation. He added seeds of wild grasses where regrowth was poor and left the area undisturbed.

After five years, when the trees were about 2m tall, he thinned out unwanted vegetation to reduce competition with the trees. Again, the vegetation was burned to produce charcoal. Then he began controlled grazing and found that his regenerated pasture would take one head of cattle to four hectares, compared with one animal to 15 to 30 hectares on the conventional ranch. Mr Toledo also found that his cattle fattened more quickly. Traditional cattle ranches are huge but yield just 25 to 36 US cents a hectare, whereas Mr Toledo claims his land earns $20 a hectare.

In the final stage, 20 years later, the farm also begins yielding hardwoods on a sustainable basis for the tannin, construction and furniture industries.

In 1973, the government was so impressed that it began a 300,000 hectare project known as Salta Floresta1. Ironically, the project worked well until the return of democracy in 1983. Since then, politicians have used the project as a source of patronage and management has become corrupt. The co-operative fell into debt; the number of peasant families doubled to 400 but production halved.

Mr Toledo insists, however, that his approach is the only way of restoring the Chaco and alleviating poverty. He says "without management, cattle herds degrade the Chaco. There simply is no other alternative. It is also good business". Mr Enrique Bucher, a zoologist at the University of Córdoba, who has worked with Mr Toledo, explains that "sustainable management is in fashion now. We have to go beyond showing it is feasible biologically. This is one of the first projects to get to the stage of dealing with political and other problems, like finding international markets, establishing optimal units".

Sustainable farming means changing the ways of poor and often tradition-bound settlers

Mr Toledo says he has no trouble exporting the charcoal produced at his newest property, the 10,000 hectare (2,470 acre) Los Colorados ranch in Salta. He adds that other products like Iguana skins (used to make Texas cowboy boots) and parrots can be harvested in a sustainable and profitable way.

The Chaco's blue-fronted Amazon parrot is threatened by trappers who export more than US$25m worth of the birds a year. But Mr Toledo, who is experimenting with sustainable ranching of the birds, reckons parrot exports can yield sales 10 times greater.

But sustainable farming means changing the ways of poor and often tradition-bound settlers. Mr Bucher says "farmers must feel a sense of ownership and permanence towards the land, encouraging them to preserve, rather than plunder it". This is important given that initial investments in fencing are high and that pay-back periods stretch over many years.

A group of Argentine and foreign scientists, together with Mr Toledo are trying to spread the word of sustainable farming through the Chaco. A group of ecologists, health workers, sociologists and economists is trying to create a regional management unit to coordinate development of the Chaco in a project funded by Unesco and US foundations.

But planning is difficult at the best of times in Latin America. The failure of the Salta Floresta1 project is a warning of political dangers. A legacy of suspicion still lingers from the Chaco war in the 1930s between Bolivia and Paraguay.

The scientists quickly realised that it was better to begin at grass roots level. They want to involve farmers directly, demonstrating how sustainable farming works and showing how profitable it can be, as well as learning from local people. However, Mr Bucher is at a loss over how to include the Chaco's remaining Indian communities.

The destruction of the Argentine Chaco is repeating itself in the Paraguayan and Bolivian sectors. In Paraguay, agribusiness ranches and dirt farms are rapidly advancing into virgin territory opened by the new Trans-Chaco highway. The same thing is happening in Bolivia. This time, though, scientists hope to avert disaster by converting settlers to environmentalism before they destroy the Chaco.

Rubber pact faces severe test as prices near floor

By **Lim Siong Hoon** in Kuala Lumpur

THE INTERNATIONAL Natural Rubber Organisation was yesterday still confronting an extremely bearish market which could put it to its most difficult test since the establishment of the second international natural rubber agreement in December 1988.

The slide on international markets in the past week has pushed Inro's indicator price down to just 1 cent above its lower trigger, or "must buy", level of 166 Malaysia/Singapore cents – despite intervention purchses by its buffer stock manager.

In the event that prices touch 166 cents, it will be the first time under Inra II that the buffer stock manager will have to enter the market as a certain player.

Inro's lower intervention, or "may buy", price is 176 cents a kilogram, the level around which prices have been fluctuating for two years until this month.

Present indicator prices are the lowest since 1985, when the first international agreement was still in operation.

Reports suggest that news of reduced car sales world-wide might have prompted the sharp price falls in the main markets. Inro's indicator prices are gauged from markets in Kuala Lumpur, London, New York and Singapore. Japan, although a major rubber consumer, is excluded.

Brussels urged to act on Soviet aluminium flood

By **Kenneth Gooding**

A CALL for urgent help to stem the rising tide of Soviet aluminium exports has been made to the European Commission by the European Aluminium Association.

It says trade talks should start as soon as possible if the European industry is not to be faced with more closures and "further dismantling".

The association suggests that nearly 1m tonnes of Soviet aluminium will be exported this year, an increase of more than 200 per cent on the 1990 level. "These quantities represent about 21 per cent of the total annual consumption of the European aluminium consuming industry and are creating enormous distortions in the aluminium markets with prices below cash costs of most of the European smelters," the association said yesterday.

It has had meetings with officials of the commission's competition department which, the association says, is viewing its case "favourably".

The Dusseldorf-based association monitors the aluminium industries in Austria, France, Germany, Greece, Iceland, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland, the UK and Yugoslavia.

Its cry for help comes after Mr Thomas Baack, chief economist of the Metallgesellschaft metals group of Germany, said the Soviet aluminium shipments "smacked of dumping".

MARKET REPORT

Gold closed unchanged on the London bullion market after hitting a peak of $359 a troy ounce when the dollar fell in response to the half point rise in German interest rates. Gold is expected to remain in the range between $355 and $360 in pre-holiday trade; any breach will not be seen as significant. Platinum held steady after the sharp retreat of the last few days. Nymex platinum futures are thought to be oversold and set to rise back above $350 a troy ounce. On the LME nickel prices continued to advance. Traders said this week's sudden upturn appeared to have been caused by Chinese physical demand. China was known to have been waiting for a dip in prices to add to other purchases made during the fourth quarter, possibly totalling more than 10,000 tonnes, and it now appears they bought late last week and early this. Zinc rallied strongly in the afternoon on mixed buying and short covering after three-month metal dipped below the key $1,100-a-tonne level. Aluminium continued to fluctuate in a narrow range. Traders said that dips towards $1,120 a tonne for three-month metal were tending to attract bargain hunting and short covering, but any advance towards $1,140 was likely to be met by hedge selling.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.85-4.95q	
Brent Blend (dated)	$18.05-8.20	-.025
Brent Blend (Feb)	$18.05-8.15	+0.05
W.T.I. (1 pm est)	$19.35-9.40q	-0.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$197-200	
Gas Oil	$177-8	+1.5
Heavy Fuel Oil	$69-71	
Naphtha	$189-190	+2.0
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$357.95	
Silver (per troy oz)♣	385.4c	-3.1
Platinum (per troy oz)	$345.0	-0.25
Palladium (per troy oz)	$82.25	+0.5
Copper (US Producer)	102.0c	
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	14.88r	+0.03
Tin (New York)	255.6c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	107.52p	-2.39*
Sheep (dead weight)††	154.32p	+3.63*
Pigs (live weight)†	83.77p	+1.29*
London daily sugar (raw)	$228.0	-1.4
London daily sugar (white)	$271.5	-0.5
Tate and Lyle export price	£232.5	-0.5
Barley (English feed)	£128.5u	
Maize (US No. 3 yellow)	£147.5	
Wheat (US Dark Northern)	£101.0	
Rubber (Jan)♥	48.50p	
Rubber (Feb)♥	48.75p	
Rubber (KL RSS No 1 Jan)	215.0m	-1.0
Coconut oil (Philippines)§	$662.5z	-22.5
Palm Oil (Malaysian)§	$372.5u	-7.5
Copra (Philippines)§	$415	
Soyabeans (US)	£143.5	+0.5
Cotton "A" Index	61.60c	-0.9
Wooltops (64s Super)	417p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Feb t-Feb/Mar u-Jan/Mar y-Jan/Feb z-Dec/Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	192.40	190.40	192.00 189.40
May	191.40	189.00	188.00 187.00
Aug	195.40	193.00	188.20 188.00
Oct	196.00	193.00	187.00
Dec	194.00	192.00	182.00
White	**Close**	**Previous**	**High/Low**
Mar	273.0	272.3	273.0 272.0
May	273.3		273.3 272.5
Aug	277.0	277.0	277.0 276.5
Oct	260.5	259.5	260.0 259.0
Mar	261.5	259.0	260.0 259.2
Dec	261.4		261.0 260.0

Turnover: Raw 255 (364)lots of 50 tonnes. White 268 (575)
Paris- White (FFr per tonne): Mar 1481.67, May 1496.61

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Feb	18.00	18.02	18.26 18.00
Mar	18.00	18.00	18.17 18.00
Apr	18.00	17.93	18.10 18.00
May	17.99	17.94	18.01 17.99
Jun	17.97	17.95	18.02 17.97
Jul	17.97		17.97
IPE Index	18.04	18.17	

Turnover 11801 (16656)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Jan	175.00	173.75	175.25 172.75
Feb	175.75	175.25	176.25 174.25
Mar	173.00	172.50	173.50 172.00
Apr	168.60	168.00	169.75 168.25
May	166.50	166.00	168.00 166.00
Jun	166.50	166.00	166.00 165.50
Jul	167.50	167.75	169.00 167.00
Aug	169.75	170.00	170.00 169.75
Sep	171.50	171.50	173.00 171.00

Turnover 13376 (12795) lots of 100 tonnes

FRUIT & VEGETABLES

Christmas fruit buys this week include Satsumas at 40-45p a lb reports the FFVIB. Kiwifruit at 13-25p each, honeydew melons at 80-£1.60p and galia melons £1.65-3.00. Grapefruit are, pink 25-50p each, and white 18-30p each. Ocean Spray cranberries are £1.20-1.40. English and Dutch Brussel sprouts 32-50p a lb, English cabbage 15-22p a lb depending on variety. Carrots at 15-20p a lb and parsnips at 25-45p a lb. Potatoes, white and red varieties are at 9-14p a lb. Spanis and Canary Island tomatoes are at 60-75p a lb, iceberg lettuce at 70-85p each with celery at 38-89p a head.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	750	747	747 745
Mar	785	780	786 775
May	808	806	808 799
Jul	834	830	833 824
Sep	857	854	857 849
Dec	887	884	887 876
Mar	915	912	915 904
May	930		928
Sep	960	958	959 954

Turnover: 2872 (6392) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec.18 984.85 (988.60) 10 day average for Dec.19 975.65 (973.72)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Jan	985	986	990 980
Mar	987	988	993 985
May	995	996	997 993
Jul	1012	1010	1007 1006
Sep	1020	1020	1024

Turnover: 1295 (977) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec.18: Comp. daily 62.04(62.73) 15 day average 63.95 (64.15)
Sterling close: January £545 , March £ 550

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Mar	114.0		113.0
Apr	117.4	118.4	117.5 116.5
May	136.5	136.9	135.5

Turnover 156 (145) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Apr	123.50	124.00	123.50

Turnover 6 (0) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Dec	1526	1533	1529 1526
Jan	1543	1557	1570 1540
Jul	1329	1325	1330 1325
BFI	1521	1526	1521

Turnover 111 (298)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Jan	125.20	125.00	125.10 125.00
Mar	128.70	128.65	128.70 128.50
May	132.15	132.05	132.10 131.85
Jun	133.85	112.00	133.75
Barley	**Close**	**Previous**	**High/Low**
Jan	118.65	118.70	118.75 118.50
Mar	122.15	122.25	122.30 112.20
May	124.15	124.40	124.30

Turnover: Wheat 290 (133), Barley 57 (356).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	105.0	105.0	104.8 104.5
Feb	106.5	106.5	106.0
May	107.5	108.0	107.3 107.0
Jun	107.5		107.3

Turnover:64 (16) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	130.04	129.88			

WORLD COMMODITIES PRICES

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 17,911 lots
Cash	1105-06	1103-4	1101	1101-1.5		
3 months	1129-30	1128-8.5	1129/1123	1124.5-5.0	1129-30	127,521 lots
Copper, Grade A (£ per tonne)						Total daily turnover 33,347 lots
Cash	1185.5-6.5	1185-7	1191/1186	1190-91		
3 months	1212-12.5	1214-15	1219/1210	1217-18	1210-10.5	227,008 lots
Lead (£ per tonne)						Total daily turnover 1,563 lots
Cash	287-88	285.5-6.5	288/287	286.5-87		
3 months	298.5-99	298-8.5	299/298	298.25-8.50	298-300	15,757 lots
Nickel ($ per tonne)						Total daily turnover 6,371 lots
Cash	7212-15	7175-85	7240/7412	7215-220		
3 months	7250-60	7248-60	7330/7240	7265-70	7230-40	18,986 lots
Tin ($ per tonne)						Total daily turnover 945 lots
Cash	5505-10	5490-95	5505	5505-06		
3 months	5560-65	5548-50	5585/5555	5580-85	5555-60	4,700 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 5,540 lots
Cash	1160-65	1148-52	1147	1147-49		
3 months	1107-08	1096-99	1116/1090	1094-4.5	1113-15	40,921 lots

LME Closing £/$ rate: SPOT: 1.8335 3 months: 1.8067 6 months: 1.7815 9 months: 1.7583

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	357.70-358.20	
Opening	358.90-359.30	
Morning fix	357.95	195.922
Afternoon fix	358.90	195.692
Day's high	359.10-359.50	
Day's low	357.15-357.45	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.18	6 months	3.80
2 months	4.09	12 months	3.73
3 months	3.90		

Silver fix	p/fine oz	US cts equiv
Spot	211.00	385.40
3 months	216.60	389.50
6 months	222.10	393.80
12 months	232.65	402.25

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	359.00-360.00	196.75-198.25
Maple leaf	370.00-371.00	203.00-203.50
New Sovereign	88.00-89.00	48.25-48.75

TRADED OPTIONS

Coffee	Mar		Mar	
500	85		6	
550	23		24	
600	8		59	
Cocoa	**Mar**	**May**	**Mar**	**May**
750	54	81	19	19
775	40	65	30	30
800	29	52	44	44
Brent Crude	**Feb**	**Mar**	**Feb**	**Mar**
1850		59		
1900	24			
1950	13	28		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	357.2	359.0	359.1	357.9
Jan	357.8	359.5	0	0
Feb	359.1	360.8	361.2	358.9
Apr	361.4	363.1	362.8	361.3
Jun	363.7	365.4	364.8	363.9
Aug	366.1	367.8	368.0	366.2
Oct	368.3	370.0	368.7	368.7
Dec	370.7	372.4	0	0
Feb	373.3	375.0	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Dec	342.4	341.4	343.0	343.0
Jan	343.9	342.9	345.5	340.0
Apr	347.7	345.9	350.0	344.5
Jul	349.7	347.9	350.0	346.5
Oct	355.5	353.9	357.5	354.0
Jan	356.9	355.4	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Dec	382.7	383.0	383.0	383.0
Jan	383.3	383.8	381.5	381.5
Feb	384.8	385.3	0	0
Mar	386.3	388.8	390.0	385.0
May	389.9	390.4	393.5	390.0
Jul	393.2	393.7	395.5	393.0
Sep	396.6	397.1	399.5	399.0
Dec	401.9	402.4	403.0	403.0
Jan	403.9	404.4	0	0
Mar	407.7	408.2	406.0	406.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	97.00	96.10	98.60	97.00
Jan	97.00	96.10	96.45	97.00
Feb	97.10	96.05	97.10	97.10
Mar	97.05	97.95	98.70	97.00
Apr	97.00	97.85	0	0
May	96.90	97.70	98.30	96.80
Jun	96.85	97.65	0	0
Jul	96.80	97.50	98.00	96.70
Aug	96.75	97.40	96.90	96.90
Sep	96.70	97.25	97.70	96.70

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jan	19.17	19.39	19.66	19.17
Feb	19.17	19.33	19.56	19.16
Mar	19.16	19.31	19.52	19.17
Apr	19.20	19.31	19.48	19.22
May	19.17	19.31	19.47	19.29
Jun	19.20	19.31	19.47	19.25
Jul	19.20	19.31	19.47	19.20
Aug	19.40	19.32	19.42	19.40
Oct	19.40	19.36	19.48	19.40

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jan	5380	5472	5565	5375
Feb	5500	5587	5670	5500
Mar	5475	5567	5615	5460
Apr	5350	5386	5440	5350
May	5200	5209	5260	5200
Jun	5160	5139	5190	5160
Jul	5150	5129	5190	5160
Aug	5235	5204	5260	5235
Sep	5365	5324	0	0
Oct	5419	5418	5470	5470

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1312	1305	1324	1299
May	1348	1343	1360	1336
Jul	1379	1371	1390	1376
Sep	1411	1400	1419	1397
Dec	1436	1432	0	0
Mar	1472	1465	0	0
May	1494	1487	0	0
Jul	1516	1509	0	0
Sep	1537	1533	1531	1530

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	77.80	78.35	78.50	77.75
May	80.45	81.00	81.00	80.40
Jul	82.85	83.25	83.50	82.80
Sep	85.40	85.75	86.00	85.75
Dec	88.80	89.10	89.00	88.80
Mar	92.25	92.40	92.50	92.25
May	94.85	94.50	94.00	94.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.77	8.69	8.78	8.64
May	8.67	8.58	8.68	8.55
Jul	8.64	8.50	8.64	8.52
Oct	8.56	8.45	8.58	8.46
Mar	8.53	8.46	8.46	8.46
May	8.53	8.45	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	59.42	62.45	59.75	59.20
May	60.63	64.45	61.25	60.70
Jul	62.02	64.70	62.30	62.00
Oct	64.02	65.80	64.20	64.02
Dec	64.37	66.40	64.50	64.26
Mar	65.65	0	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	161.60	162.55	163.50	161.60
Mar	163.70	164.85	165.65	163.65
May	164.20	165.35	165.90	164.10
Jul	164.05	165.20	165.70	165.00
Sep	161.05	162.20	0	0
Nov	161.55	162.55	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec.19	Dec.18	mnth ago	yr ago
1599.5	1603.7	1622.2	1708.2

DOW JONES (Base: Dec. 31 1974 = 100)

	Dec.18	Dec.17	mnth ago	yr ago
Spot	112.77	113.16	114.22	123.20
Futures	118.92	120.40	122.06	125.84

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	553/0	562/6	559/2	552/2
Mar	557/0	568/2	568/6	556/4
May	562/6	564/2	570/4	562/2
Jul	570/2	572/0	577/4	570/0
Aug	573/0	574/6	581/4	573/0
Sep	574/0	576/0	580/0	574/0
Nov	578/6	579/2	584/0	577/4
Jan	588/0	589/0	593/0	588/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	19.15	19.16	19.22	19.12
Jan	19.01	19.20	19.28	19.01
Mar	19.32	19.53	19.56	19.32
May	19.67	19.82	19.84	19.68
Jul	19.98	20.08	20.12	19.98
Aug	20.15	20.25	20.30	20.15
Sep	20.23	20.32	20.45	20.23
Oct	20.28	20.37	20.50	20.28
Dec	20.56	20.75	20.70	20.58

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	176.4	173.9	176.7	173.4
Jan	172.1	170.9	173.4	170.4
Mar	170.1	169.7	172.4	169.2
May	170.1	170.1	172.2	169.5
Jul	171.4	171.2	173.3	171.0
Aug	172.1	172.4	174.5	172.0
Sep	172.1	172.2	174.8	172.0
Oct	184.6	184.2	185.7	184.2
Dec	185.7	186.7	187.7	185.7

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	251/2	251/2	251/4	249/2
Mar	253/2	256/0	256/2	253/0
May	259/0	262/0	263/0	259/6
Jul	263/6	267/0	267/0	263/4
Sep	259/4	262/0	262/2	259/4
Dec	256/2	258/0	258/0	256/0
Mar	262/6	264/4	264/4	262/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	406/6	409/0	407/0	400/4
Mar	386/6	389/2	391/6	385/4
May	364/2	367/6	369/0	364/4
Jul	333/4	337/4	336/0	333/0
Sep	339/0	343/0	343/0	339/0
Dec	351/0	352/4	352/4	349/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	69.97	70.02	69.70	69.80
Feb	70.15	71.65	71.00	70.15
Apr	71.42	72.77	72.25	71.35
Jun	68.35	69.17	69.00	68.22
Aug	66.92	67.80	67.70	66.75
Oct	67.45	68.00	67.92	67.15
Dec	68.35	68.80	68.75	68.00

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	41.17	40.77	41.30	40.80
Feb	41.05	40.85	41.35	40.82
Apr	38.77	38.82	39.10	38.55
Jun	44.20	44.20	44.30	43.95
Jul	44.50	44.30	44.65	44.47
Aug	43.50	43.57	43.80	43.40
Oct	40.70	40.62	40.80	40.55
Dec	43.00	42.47	43.22	42.50

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	37.10	37.65	37.80	37.10
Mar	37.67	37.92	38.00	37.55
May	38.80	39.07	39.12	38.70
Jul	39.12	39.42	39.55	39.20
Aug	38.55	38.72	38.65	38.50

LONDON STOCK EXCHANGE

Interest rate worry brings heavy fall

By Terry Byland, UK Stock Market Editor

THE BUNDESBANK's decision to raise German interest rates by half a point yesterday caught the UK stock market by surprise and deepened the gloom already hanging over equities in London. However, the FT-SE Index, had already fallen by nearly 40 points ahead of the Bundesbank's move, in reaction to the setback in Tokyo and a further round of downgradings of UK corporate profit forecasts by London brokerage analysts. By the close, the fall on the Footsie had been trimmed to 22 points for a final reading of 2,391.6.

The rise in German rates, quickly followed by similar moves by some other European countries, blotted out hopes for early reductions in British base rates, and revived the fear that these may have to be raised. Analysts believed that the Bundesbank's action, while surprising in terms of timing, had been to some extent discounted. But nervousness in the equity market increased towards the close when sterling weakened.

Account Dealing Dates		
*First Dealings:		
Dec 9	Dec 30	Jan 13
Option Declarations:		
Dec 23	Jan 9	Jan 23
Last Dealings:		
Dec 27	Jan 10	Jan 24
Account Day:		
Jan 6	Jan 20	Feb 3

*New-time dealings may take place from 8.30 am two business days earlier.

Share prices started quietly but soon fell as the retail and building sectors came in for further profits and dividend downgradings, this time from a leading UK securities house. A severe downgrading of forecasts for profits at ICI, the market's favoured blue chip chemical company, dealt a blow to investor confidence.

Trading pressures were compounded by difficulties in the derivatives markets, where activity in the FT-SE option was suspended for an hour because of delays in processing assignment notices for the previous day's business.

Market confidence was further shaken by the announcement of a sharp rise in UK unemployment in November; the unexpected gain in November bank lending was firmly rejected as any sign of improved economic activity. The economic data tended to confirm the equity market's concern over the recessionary pressures still apparent in the UK and to cast further doubt on prospects for an early recovery.

Once the Footsie 2,400 benchmark was lost, equities spun downwards, and tested the 2,373 area at the day's low as equity chart specialists again warned that there might be little support now before 2,350 on the Footsie scale.

Buyers appeared at the lower levels, however, and share prices staged a good recovery, encouraged by a steady opening to the new session on Wall Street, where the Dow was unchanged when London went home for the day.

But genuine investment activity was no more than moderate yesterday, according to traders at the leading securities houses. Overnight tax-related deals were of substantial proportions again, and provided the lion's share of the day's Seaq volume total of 815.3m shares, compared with 662.4m on Wednesday.

Composite insurance groups are believed to be engaged in unusually large tax related activity at present and this activity is increasing the normal seasonal flow of tax-orientated business.

Yesterday's fall of just under 1 per cent in the London equity market compared favourably with the reaction of other European bourses to the hike in German interest rates. A sell programme was operated in UK equities and confidence was also challenged by the rise in London money market rates which appeared to threaten upward pressure on base rates.

FINANCIAL TIMES STOCK INDICES

	Dec 19	Dec 18	Dec 17	Dec 16	Dec 13	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	87.10	87.28	87.22	87.34	87.38	82.64	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.37	97.47	97.48	97.49	97.39	90.97	97.49 (16/12)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1814.7	1833.7	1846.2	1855.4	1863.9	1687.2	2108.3 (2/9)	1606.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	146.3	145.6	147.5	152.1	152.1	149.5	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2391.6	2413.6	2432.9	2440.8	2461.6	2164.4	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1089.45	1101.95	1105.06	1105.57	1106.13	-	1198.60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	5.05	5.01	4.99	4.99	4.96	5.68				
●Earning Yld %(full)	7.60	7.53	7.50	7.50	7.43	11.86				
●P/E Ratio(Net)(☆)	16.53	16.68	16.75	16.75	16.93	10.18				
SEAQ Bargns 4.45pm	24,557	22,133	21,911	21,064	27,924	27,380				
Equity Turnover(£m)†	-	1563.09	1012.82	742.39	958.56	1228.23				
Equity Bargains†	-	21,485	20,562	20,866	26,924	27,705				
Shares Traded (ml)†	-	597.9	520.2	509.5	482.9	529.4				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 15.65.

Ordinary Share Index, Hourly changes — Day's High 1828.3 — Day's Low 1795.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1828.3	1815.3	1808.9	1802.4	1808.5	1805.6	1807.0	1810.9	1815.9

FT-SE 100, Hourly changes — Day's High 2409.3 — Day's Low 2373.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2409.3	2394.7	2391.4	2379.0	2383.9	2380.3	2381.0	2386.0	2391.7

FT-SE Eurotrack 200, Hourly changes — Day's High 1095.72 — Day's Low 1086.22

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1095.25	1094.84	1090.95	1091.04	1087.07	1089.91	1088.44

GILT EDGED ACTIVITY

Indices*	Dec 18	Dec 17
Gilt Edged Bargains	78.0	75.7
5-Day average	82.2	85.4

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

ICI hit by new forecasts

SHARES in ICI reacted to a profit downgrade for 1991 and 1992 by agency broker James Capel. They slipped 21 in a weak market to 1139p. Capel cut its 1991 profit forecast by £30m to £830m and its 1992 forecast to £1.05bn. from £1.20bn.

The downgrade followed an update on trading from the company and the house said it reflected continuing tough trading conditions and the greater likelihood of those conditions persisting further into 1992 than had been expected.

However, Capel maintains its view that there is "further relative upside" in the shares and argues that their fair value, based on profits achievable by the mid 1990s, is between 1200 and 1250p.

Dowty active

Bid speculation was revived over Dowty Group, which helped it put on 13 to 149p in hefty turnover of 4.3m. Smiths Industries and TI Group again figured strongly, although the market was divided over the strength of the rumours. Dowty, whose interests focus on the aerospace, information technology (IT) and electronic systems sectors, reported poor results last week and said it would centre future strategy on its aerospace business. This has prompted speculation over possible disposals. US telecoms groups the 'Baby Bells' were rumoured to be interested in the IT business, while Japan's Kawasaki is also said to be watching the situation. Smiths lost 7 to 263p.

TI Group, which lost 14 to 524p, was also unsettled by continuing worries over its large US exposure, with sterling's strength against the dollar being the main focus of concern. Similar worries also hit Siebe, down 12 at 499p.

Hillsdown slide

News of the resignation of Mr Kevin O'Sullivan, finance director of Hillsdown Holdings, the food manufacturing group, unnerved the company's shares which slumped 13 to 157p, after 151p, easily the lowest level for over five years. Dealers said the resignation, as from March next year, put the seal on a thoroughly bad year for Hillsdown after the failure of its recent big rights issue.

Turnover in the stock reached 22m, although this figure was heavily boosted by the buy-back side of a large number of bed and breakfast, or tax-related trades, carried out late on Wednesday.

Mr O'Sullivan said he is leaving Hillsdown to join Greencore, the troubled Irish food group.

SmithKline down

Securities houses have begun to trim their profit forecasts for SmithKline Beecham following discussions with the company. SmithKline has been telling analysts that the cost of launching three significant drugs next year – Relifen, Kytril and Seroxat – will hit earnings growth.

Hoare Govett reduced its 1992 estimate by £35m to £1.135bn but continues to favour the stock and Nomura is contemplating reducing its forecast to about £1.16bn. It was around the top of the market range with a forecast of £1.2bn. The shares lost 9to 813p

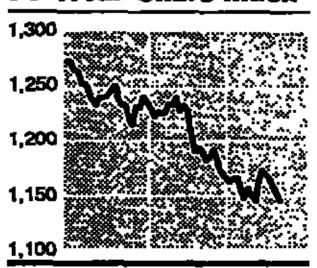
Burmah setback

Burmah Castrol paraded one of the worst falls in the oil sector, as analysts at some of the City's most influential broking houses, including Cazenove, Burmah's broker James Capel and Smith New Court, chopped their profits estimates for the group.

Cazenove was said to have lowered their current year estimate to £70m and that for next year to £85m, with James Capel said to have moved down to £73m and £85m. Smith New Court, it was said, lowered their current year forecast to £68m and that for next year to £80m.

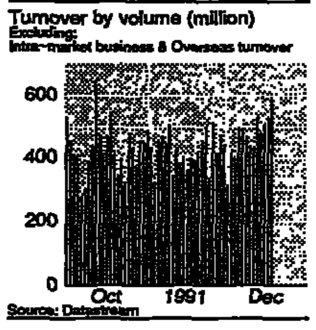
Burmah Castrol shares closed 25 off at 462p, just about the day's lowest level, with turnover reaching 782,000.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



Source: Datastream

Sun Alliance gave an impressively strong performance in an otherwise shaky composites sector, closing 2 firmer at 282p on exceptionally heavy turnover of 6.1m; the company is expected to reveal this morning details of the extent of its mortgage indemnity losses.

A thoroughly depressing review of the stores sector by County NatWest caused waves of selling pressure throughout the retailing arena. County summed up its views on the sector by telling clients "You will have a happier, more relaxing Christmas it you sell some stores now."

The broker said "profit downgradings have to be the first item on next year's agenda. Sales have disappointed, and widespread discounting and Sunday opening is symptomatic of retailers panicking". County went on to say: "Current news on the industry and consumer fronts is bleak."

The broker suspended all its buy recommendations, reinforced its "sell the weak potential recovery stocks" message and told its clients to take profits in the majors, "especially Marks & Spencer, given the recent outperformance".

Marks & Spencer shares dropped to 272p before settling a net 8 off at 274p. Boots fell 9 to 427p and Ratners 4 to 27p. Kingfisher shares attracted flurries of selling and touched 470p prior to ending the day 11 lower on balance at 477p.

Nomura's warning of tough trading conditions and its profits downgrades continued to weigh heavily on Sainsbury, 3 off at 349p and Tesco, 4 off at 209p. Much of the turnover in Asda, 30m shares, included bed and breakfast deals, but the stock came under intense pressure early in the session, slipping to 26p before steadying to close a net penny off at 29p.

Brewers were steady with Bass gaining 3 to 1005p and Allied-Lyons holding its price of 596p.

Institutional buying continued in Reuters Holdings, ensuringthat the stock was one of the few bright spots in the FT-SE 100 Index. The shares rose rose 7 to 967p.

Wellcome also stood out with a rise of 8 to 938. The stock is traditionally tightly-held and very few traders were prepared to sell the shares yesterday so the effect of any buying was exaggerated.

However, other international stocks suffered from the raised German interest rates. Glaxo lost 15 to 797p, Rothmans International fell 16 to 995p and Fisons eased 5 to 327p.

Securities house Hoare Govett reduced its profit forecasts on Harrison & Crosfield but advised that the yield attractions remain strong. The shares lost 3 to 113p.

British Gas jumped 3¼ to 257¼p on heavy turnover of 12m as institutions chased the stock after it escaped from a referral to the Monopolies Commission.

Lasmo plummeted 15 to 230p on 4.1m with the group's absorption on Ultramar leading to worries about stock indigestion after the bid goes through.

Recent worries that Forte might have to cut its dividend – by 70 per cent on some analysts' estimates – prompted the hotels and leisure group to assure brokers that the final dividend will almost certainly be maintained. Sentiment was also improved by Wednesday's purchase of Town and County, the up-market caterers. Analysts say the stock is also attracting buyers as one of the more safer purchases in a weak sector. The shares gained a penny to 225p.

Two-way business by marketmakers to find a floor to Rank Organisation pushed the price down 20 to 553p. Wednesday's Gestetner results, which pointed to problems in the photocopier market, did nothing to help continuing market worries over Rank's dividend. Volume of 3.5m include a tax-related bed and breakfast deal of 2.9m at 550p.

Severn Trent Water delivered the best performance of any Footsie stock, closing 10 higher at 327p after Crédit Lyonnais Laing, the stockbroker took 14 institutions on a visit to Severn Trent's Biffa waste disposal operations. The Biffa division has been viewed as a big loss-maker for Severn but the visit dispelled fears that losses were ahead of last year's.

In the wake of the weak Dowty results, UBS Phillips and Drew downgraded Lucas Industries, shaving £20m off its current year profit forecast to £60m and the same amount off 1992-93 at £90m.

MARKET REPORTERS:
Peter John,
Chris Price,
Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 21.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (11).
AMERICANS (1) Amdahl, CANADIAN (1) Brascan, CHEMICALS (1) Cambridge Isotope Labs., ELECTRONICS (2) Electronic Data Processing, Oceonics, FOOD RETAILING (1) Park Foods, HEALTH & HOUSEHOLD (1) Swallowfield, INVESTMENT TRUSTS (1) Scottish Value, MEDIA (1) Daily Mail A, MISCELLANEOUS (1) Office & Electronic, OTHER INDUSTRIAL MATERIALS (1) Harris (Ph).
NEW LOWS (112).
BRITISH FUNDS (1) Tr. 8½pc '07 A, AMERICANS (5) Bowater Inc., Chrysler, Pennzoil, Tenneco, Woolworth, CANADIANS (4) Can. Pacific, ECO, Imperial Oil, Rio Algom, BREWERS & DISTILLERS (1) Whitbread A, BUILDING MATERIALS (9) BPB Inds., Evered Bardon, Meyer Intl., Quiligotti, RMC, Redland, Starmin, Tarmac, Ward, BUSINESS SERVICES (1) Automated Security, CONGLOMERATES (3) Melville, Trafalgar House, Do. A, CONTRACTING & CONSTRUCTION (13) AMEC, Do. 8.5p Cm. Prf., Bett Bros., Birse, Laing (J) A, Do. N/V., Lilley, Lovell (YJ), McLaughlin & Harvey, Taylor Woodrow, Westbury, Westminster Scaffolding, Wimpey (G), ELECTRICALS (3) Arlen, Chloride, Oxford Instrs, ELECTRONICS (3) Alphameric, P & P, P-E Intl., ENGINEERING GENERAL (3) GEI Intl., Ransomes, Do. 8.25pc Prf., FOOD MANUFACTURING (5) Alpine Wrnts., Hillsdown, Usborne, FOOD RETAILING (4) ASDA, Ashley, Low (Wm), Tesco, HEALTH & HOUSEHOLD (1) JS Pathology, HOTELS & LEISURE (2) Sleepy Kids, Whitegate Leis., INSURANCE COMPOSITE (1) Royal Ins., INVESTMENT TRUSTS (11) Castle Cairn Wrnts., Cons. Venture 120 Wrnts., SFM Inc., Electra Inv., Fleming Emrg. Mids. Wrnts., French Property, Fulcrum Inc., Gartmore European, Jove Inc., Kleinwort High Inc., Throgmorton Wrnts., MEDIA (3) Allied Radio 8pc Ln 2001, Lopex, WPP, METAL & METAL FORMING (1) British Steel, MISCELLANEOUS (4) Astra, Dudley Jenkins, Gestetner, Shanks & McEwan, MOTORS (2) European Motor, Do. Units, OIL & GAS (8) Burmah Castrol, Clyde Petrlm., Hardy Oil, LASMO, Pict Petrlm., Premier Cons., Santos, Sceptre, OTHER FINANCIAL (2) Gerrard & Natl., JF Pacific Wrnt., OTHER INDUSTRIAL MATERIALS (2) Allied Partnership, Noida Prf., PACKAGING, PAPER & PRINTING (2) Repola, Waco, PROPERTY (10) British Land, Brit. Land (Jersey) 8½pc Cnv. 2011, Greycoat, Gt. Portland, Hammerson A, Land Secs., MEPC, Palmerston, Prop. Partnership, Shaftesbury, STORES (3) Brown & Jackson, Ratners, Stylo, TEXTILES (1) Alexandra Workwear, TRANSPORT (2) All Nippon Airways, Manchester Ship Canal, MINES (4) Buffels, Dominion, Meekatharra, Northgate Expir.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	18	305	-8	Cookson	775	102	+1	Lucas	2,500	112	-1	Shell Transport	2,500	482	-5
ASDA Group	30,000	29	-1	Courtaulds	1,200	460	-6	MB Caradon	2,300	243	-10	Siebe	709	499	-12
Abbey National	2,200	278	-4	Dalgety	701	357	-2	MEPC	1,400	402	-6	Slough Ests	380	229	+1
Albert Fisher	2,500	89		De La Rue	391	488	-4	Manweb	575	329	+3	Smith (W.H.) A	344	448	-5
Allied-Lyons	732	595		Dixons	4,400	196	-7	Marks & Spencer	5,100	274	-8	Smith & Nephew	3,100	135	+3
Amstrad	765	26		ECC Group	1,200	465	+3	Midland Bank	4,800	202	-4	SmKl Beecham	1,400	813	-9
Anglian Water	679	337	-2	Eastern Elect.	618	242	+3	Midlands Elect.	572	277	+2	SmKl Beecham Uts.	56	3683	-17
Argos	1,300	280	-4	East Midland Elect.	298	257	+3	NFC	1,300	225	-1	Smiths Inds.	523	257	-6
Argyll Group	2,500	274	-7	Enterprise Oil	10,000	458	-5	NatWest Bank	4,000	278	+2	Southern Elect.	934	287	+2
Arjo Wiggins	7,400	241	-6	Eurotunnel Units	152	355		National Power	2,500	143		South Wales Elect.	107	294	-1
Ass. Brit. Foods	149	451	-5	FKI	3,400	49	-1	Next	1,100	67	-2½	South West Water	349	318	+4
BAA	1,100	522		Ferranti	798	7½	-½	North West Water	1,100	342	+2	South West. Elect.	398	256	
BAT Inds.	3,200	581	-8	Fisons	3,600	327	-5	Northern Elect.	155	269	+2	Southern Water	171	322	+4
BET	4,000	177	-8	Forte	1,300	225	+1	Northern Foods	289	558	-5	Standard Chartd.	312	414	-10
BICC	2,400	313	-4	Gen. Accident	238	441	+5	Norweb	347	284	+4	Storehouse	1,400	93	-2
BOC	245	600	-2	General Elect.	5,500	195½	-½	Pearson	657	683	-3	Sun Alliance	6,100	282	+2
BPB Inds.	2,800	128	-6	Glaxo	4,800	798	-14	P & O	4,000	433	+3	T&N	587	107	-6
BTR	4,900	375		Glynwed Int.	799	201	+3	Pilkington	4,800	122	-1	TI Group	1,200	524	-14
Bank of Scotland	493	105	-4	Granada	577	198		PowerGen	2,100	152	-2	TSB	2,800	118	-5
Barclays	2,300	364		Grand Met.	3,400	854	-3	Prudential	3,200	221½	-1½	Tarmac	7,700	108	+1
Bass	579	995	-7	GUS A	853	1369	+2	RHM	6,100	241	-4	Tate & Lyle	852	387	-3
Berisford Int.	300	16	-1½	GRE	3,700	110	-2	RMC	729	504	-3	Taylor Woodrow	6,400	111	
Blue Circle	1,700	208	-3	GKN	370	281	-7	RTZ	1,600	478	+3	Tesco	5,200	209	-4
Booker	324	437	-3	Guinness	2,700	501	-6	Racal	10,000	50	+½	Thames Water	1,200	335	+1
Boots	2,700	427	-9	Hammerson 'A'	1,800	508	-5	Rank Org.	3,500	553	-20	Thorn EMI	1,600	727	-7
Bowater	539	645	-7	Hanson	5,600	193	-3½	Reckitt & Colman	895	816	-3	Tomkins	1,000	407	-2
Brit. Aerospace	7,600	316	-6	Hanson Warrants	326	17	-½	Redland	2,400	420	-8	Trafalgar House	5,700	146	-11
British Airways	3,300	208	-7	Harrisons Crosfield	484	113	-3	Reed Intl	1,500	500	-3	Ultramar	4,100	266	+1
British Gas	12,000	257½	+3½	Hawker Sidd.	15	720	-4	Rentokil	147	382		Unigate	65	264	-5
British Land	560	258	-8	Hillsdown	23,000	157	-13	Reuters	811	967	+7	Unilever	689	845	-2
BP	7,200	281	-5	IMI	1,300	215	-5	Rolls Royce	13,000	124	+2	United Biscuits	1,000	389	+1
British Steel	24,000	62½	-2	ICI	1,900	1139	-21	Rothmans	921	995	-16	Utd. Newspapers	345	326	-3
British Telecom	7,600	322½	-½	Inchcape	1,600	375	-7	Ryl Bk Scotland	868	151	-3	Vodafone	1,900	353	-4
Br. Telecom New	36,000	121¼		Kingfisher	2,700	477	-11	Royal Insurance	3,100	229	-5	Warburg (SG)	79	516	-1
Bunzl	22	83	-1	Ladbroke	2,300	209	-7	Saatchi	1,600	12	+¼	Wellcome	579	938	+8
Burmah Castrol	807	462	-25	Land Securities	894	458	-4	Sainsbury	1,400	349	-3	Welsh Water	781	353	-1
Burton	13,000	35½	-½	Laporte	453	587	-14	Scottish & New.	729	406	-2	Wessex Water	543	373	+2
Cable & Wire	2,600	570	-9	Legal & General	544	358		Scot. Hydro-Elect.	499	105		Whitbread 'A'	732	408	-6
Cadbury Schweppes	1,200	417	-6	Lloyds Abbey	966	346	-5	Scottish Power	2,000	104		Williams Hldgs.	3,100	308½	-3
Calor Group	79	218	-2	Lloyds Bank	1,600	374	-1	Sears	2,800	89½	-½	Willis Corroon	1,300	248	-1
Carlton Comms.	1,200	489		LASMO	4,100	230	-15	Sedgwick	4,900	207		Wimpey	3,600	116	+2
Coats Viyella	2,100	183	-2	London Elect.	680	249	+1	Seeboard	197	273	+2	Yorkshire Elect.	1,000	314	+1
Comm Union	539	447	+1	Lonrho	3,200	157	-4	Severn Trent Water	2,500	327	+10	Yorkshire Water	171	368	+1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

INTRA-MARKET trading predominated in the derivatives markets yesterday although a healthy premium in FT-SE futures also lent support to a nervous equity market, writes Peter John.

Business was affected during the morning by a breakdown in Footsie options tradings because of technical problems. Nevertheless, Footsie futures dealers were busy rolling out their positions in the December contract and into the March issue. They were also arbitraging in the stock market.

The desire to straighten books meant that December maintained a healthy premium to its estimated fair value, despite the market weakness in Japan and the raising of interest rates in Germany.

December closed at 2,398 with heavy turnover of nearly 9,000 contracts. March saw 3,256 lots dealt.

Footsie expiry also occupied the minds of traded options dealers and turnover of 12,288 March and December FT-SE options and 3,747 Euro FT-SE options made up half the markets total turnover of 30,211 lots. Stock option dealing was patchy with Asda, British Gas and Cadbury being the most popular series. There was a buyer of 500, March 16 series Hillsdown calls at 9.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1991 high	1991 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
[illegible]							
Five to Fifteen Years							
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991 high	1991 low	Yield Int.	Yield Red.
[illegible]							
Over Fifteen Years							
[illegible]							
Undated							
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991 high	1991 low	Yield (1)	Yield (2)
Index-Linked							
[illegible]							

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1991 high	1991 low	Yield Int.	Yield Red.
[illegible]							

APPOINTMENTS

New gasmen come aboard

BRITISH GAS, which has been seeking a new finance director for some months, has recruited Philip Rogerson, ICI's number two finance man. He is one of two new appointments to the British Gas boardroom which will go some way towards stemming City criticism of the utility's in-bred management team.

Rogerson, 46, replaces Allan Sutcliffe who had to retire for health reasons earlier this year. After qualifying as a chartered accountant, he joined Hill Samuel's corporate finance team in 1968 and subsequently worked for Thomas Tilling, Steetley and J W Chafer. In 1978 he joined ICI as assistant chief accountant of the agricultural division.

Howard Dalton, who joined British Gas from Amoco 18 months ago, has also been elected to the board. He is managing director, exploration and production, and his absence from the board room had seemed unusual given his considerable experience in the oil industry.

ICI, which has had an unusually high turnover of its general management team lately, has moved quickly to replace Rogerson by promoting the 47-year-old Alan Spall, another chartered accountant, to be general manager – finance. Spall, who joined ICI's Mond division in 1970, is currently a director of ICI specialities.

■ ROLLS-ROYCE has reshuffled its board with the appointment of Richard Turner and John Rose to replace Frank Turner, James Keir and Robert Hawley. Turner rejoined Rolls-Royce from STC in November where he was group marketing director, having worked for RR from 1965 to 1988. Rose is currently director of corporate operations.

The company says the moves are "a further refinement in the wake of the reorganisation of Rolls-Royce into two divisions [aerospace and industrial power] last January". The new board members will be more involved in strategic matters than those they replace.

Keir and Turner will continue as directors of the Aerospace Group and Hawley stays as a director of the Industrial Power Group. He also becomes managing director of NEI.

■ Michael Hodgkinson has become BAA's group airports director and a director of the company; his main role is to help airlines develop their businesses at each BAA airport. Hodgkinson, 47, is moving after eight years at Grand Metropolitan, where he was chief executive of GM Foods Europe. Before that he spent 17 years in the motor industry, first with Ford and then British Leyland where he rose to be managing director of Land Rover.

Ireland attracts Welshman

Kevin O'Sullivan is departing as finance director of Hillsdown Holdings for the green pastures of one of Ireland's biggest food businesses.

He will become chief financial officer of Greencore, the sugar and food group which recently shed a handful of directors because of a scandal over a corporate deal. However, this week's 15 per cent increase in annual pre-tax profit shows that the underlying business is sound.

The London stock market did not take kindly to O'Sullivan's decision; Hillsdown's share price shed 13p. Sentiment has been against Hillsdown since its September rights issue was only 48 per cent taken up.

Yesterday rumours circulated that O'Sullivan's resignation might be a repercussion of the flop, or signify some other row. This was firmly denied by him and by Sir Harry Solomon, Hillsdown's chairman.

O'Sullivan, 49, says: "I'm Welsh; I have spent most of my working life outside London and I have never enjoyed commuting." His journey from north Hertfordshire takes well over an hour each way. After six years with Hillsdown, "I feel I want a new challenge and a better quality of life." His grandfather was Irish and he has many connections there.

Movements in finance

■ Richard Crowder is md of SCHRODERS Guernsey.
■ Charles Taylor and Ian Scott, both formerly of NWS Bank, are appointed joint chief executives of SOVEREIGN LEASING.
■ INVESCO MIM plc has appointed Samuel DeKinder to the board in place of Wendell Starke who is appointed chairman of Invesco Mim inc in Atlanta. Hiroshi Katsuta, chairman of Invesco Mim Investment Trust Management in Tokyo, is also appointed to the board.
■ Bruce Fireman, chairman and founder of Fireman Rose, is appointed md of GUINNESS MAHON Media and Communications Finance.
■ NATIONAL & PROVINCIAL Building Society has appointed Michael Pendle as director of savings and personal credit.
■ LAZARD BROTHERS has appointed Michael Bottenheim, Adrian Evans, and Antony Northrop as mds, Svante Adde and Derek McMillan as directors and Roger Alcock as a non-executive. Glyn Peat is appointed to the board of Lazard Investors.
■ Francis Thireau, who moves from BNP's office in Brussels, becomes deputy md of BNP MORTGAGES. David Barton is promoted to md of BNP Insurance Services.
■ Chris Boobyer is promoted to the board of BARCLAYS MERCANTILE Business Finance.

LONDON SHARE SERVICE

AMERICANS
[illegible]

CANADIANS
[illegible]

BANKS
[illegible]

BREWERS & DISTILLERS
[illegible]

BUILDING MATERIALS
[illegible]

BUILDING MATERIALS - Cont.
[illegible]

BUSINESS SERVICES
[illegible]

CHEMICALS
[illegible]

CONGLOMERATES
[illegible]

CONTRACTING & CONSTRUCTION
[illegible]

CONTRACTING & CONSTRUCTION - Cont.
[illegible]

ELECTRICALS
[illegible]

ELECTRICITY
[illegible]

ELECTRONICS
[illegible]

ENGINEERING AEROSPACE
[illegible]

ENGINEERING GENERAL
[illegible]

ENGINEERING - GENERAL - Cont.
[illegible]

FOOD MANUFACTURING
[illegible]

FOOD RETAILING
[illegible]

HEALTH & HOUSEHOLD
[illegible]

HEALTH & HOUSEHOLD - Cont.
[illegible]

HOTELS & LEISURE
[illegible]

INSURANCE BROKERS
[illegible]

INSURANCE COMPOSITE
[illegible]

INSURANCE LIFE
[illegible]

INVESTMENT TRUSTS
[illegible]

INVESTMENT TRUSTS - Cont.
[illegible]

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1991 high	low	Yld Gr's	NAV	Dis or Pm(-)
Sphere Inc.		18½	—	33	18	27.8	21.1	12.5
Zero Div Pf.		65¾	—	66½	59¾	—	—	—
Warrants		3	—	9½	2¾	—	—	—
Strata		146	—	154	104	1.3	177.3	17.6
Stratton		147	—	160	120	1.7	174.1	15.6
TR City of Lon.		106	-2½	121¼	90	6.6	107.2	0.7
TR Euro Growth	§	86	-1	104	78	1.6	93.0	6.5
Ptg Sub	§	54	—	58	40	2.5	—	—
TR Far East Inc.		75	-2	94	56	7.4	88.8	15.5
Warrants		15	-1	23	12	—	—	—
TR High Inc.	H	101	-2	115	85	7.9	93.3	-10.4
Sub	0	34	—	36	24	3.9	—	—
TR Pacific		67	—	92	49	9.6	78.3	14.5
TR Prop.		26xd	—	37	26	7.4	34.7	25.1
TR Smaller		134½	-3½	156	96	3.7	142.6	5.7
TR Technology	M	32	-2	52	30	7.7	86.3	60.6
Stepped Pf.		88¾	—	94½	70½	8.2	—	—
Zero Pf.		155½	—	156½	117½	—	—	—
Temple Bar	†	250	-5	276	210	6.3	268.3	6.9
8pc 2002		£114½	+2	£114½	£102½	5.2	—	—
Temple Em Mkts	as	164	-1	173	92	0.6	163.9	0.7
Warrants		60	—	63	27	—	—	—
4pc Cv 2001		£162½	—	£167½	£90½	8.6	—	—
Thornton Asian		58	—	72	55	1.1	67.6	14.2
Warrants		18	—	18	9	—	—	—
Thornton Pan Euro.		27	—	31	25	4.8	29.7	9.0
Warrants		5	—	10	5	—	—	—
Throg Dual Inc.		98xd	—	108	93	11.8	—	—
Cap		345	-3	396	250	—	626.8	44.5

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MISCELLANEOUS - Cont.

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

a Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. yield, p/e based on latest annual earnings. M Yield based on prospectus or other ... xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1150 a year for each security shown, subject to the Editor's discretion

London Share Prices

London share prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT.
To obtain your free share Code Booklet ring (071 925-2128)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to 1100 hours; (◆) - 1101 to 1400 hours; (◆) - 1401 to 1700 hours; (◆) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

OTHER UK UNIT TRUSTS

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

	Bid Price	Offer Price	+ or -	Yield Gross
N & P Life Assurance Ltd				
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348				
Life Managed Fd	104.6	110.2	....	-
Pension Managed Fd	102.8	108.2	....	-
Life Deposit Fd	111.3	117.1	....	-
Pension Deposit Fd	118.2	124.5	....	-
For National Fin see Target Life				
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Harvester Pension Funds				
Managed	164.8	173.5	....	-
UK Equity	171.0	180.1	....	-
Overseas Equity	130.5	137.4	....	-
Fixed Interest	163.4	172.0	....	-
Property	129.1	135.9	....	-
Index Linked	151.7	159.7	....	-
Deposit	165.3	174.1	....	-
With Profits (B)	135.2	142.4	....	-
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 071-623 4200				
Managed	337.4	355.2	-3.4	-
UK Equity	419.9	442.1	-6.4	-
Overseas Eq	319.5	336.4	-2.4	-
Americas	273.4	287.8	-0.1	-
Far East	338.2	356.0	-4.6	-
Property	193.7	203.9	-0.2	-
Fixed Int	274.0	288.5	-0.2	-
Indexed Gilt	160.8	169.3	-0.1	-
Deposit	188.9	198.9	....	-
With Profit	105.8	111.3	....	-
Pension Fund (Accum Units)				
Managed	488.0	513.7	-5.2	-
UK Equity	568.5	598.5	-9.2	-
Overseas Eq	545.8	574.6	-3.2	-
Americas	351.7	370.3	+0.4	-
Far East	556.2	585.5	-6.8	-

	Bid Price	Offer Price	+ or -	Yield Gross
Providence Capital Life Assc. Co Ltd				
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888				
UK Equity Acc	210.7	222.3	(z)	-
UK Fixed Int Acc	194.5	205.2	(z)	-
Intl Equities Acc	165.5	174.6	(z)	-
UK Managed Acc	166.2	175.3	(z)	-
Property Acc	224.3	236.7	(z)	-
Money Acc	134.5	141.9	(z)	-
Special Market Acc	139.0	146.7	(z)	-
Japan Equity Acc	93.5	98.7	(z)	-
North American Acc	93.7	98.9	(z)	-
Pacific Acc	88.8	93.7	(z)	-
Technology Acc	116.2	122.6	(z)	-
Nat Resources Acc	51.3	54.2	(z)	-
European Acc	93.8	99.0	(z)	-
Residential Prop Acc	90.6	95.6	(z)	-
Swiss Equities Acc	31.2	33.0	(z)	-
Hong Kong Acc	67.1	70.8	(z)	-
UK High Inc Eq Acc	68.0	71.8	(z)	-
Int Fixed Interest Acc	60.5	63.9	(z)	-
Int Managed Acc	54.5	57.4	(z)	-
HIP Managed Acc	111.0	117.0	(z)	-
HIP Managed II Acc	97.2	102.5	(z)	-
HIP Managed III Acc	105.9	111.7	(z)	-
Total Investment Bond				
UK Equity Initial		142.7	(z)	-
UK Fixed Int Initial		132.0	(z)	-
Intl Equities Initial		111.4	(z)	-
UK Managed Initial		112.8	(z)	-
Property Initial		153.3	(z)	-
Money Initial		91.7	(z)	-
Special Market Initial		107.6	(z)	-
Japan Equity Initial		72.4	(z)	-
North American Initial		72.6	(z)	-
Pacific Initial		68.7	(z)	-
Technology Initial		89.9	(z)	-
Nat Resources Initial		39.7	(z)	-
European Initial		63.8	(z)	-
Residential Prop Init		86.2	(z)	-
Swiss Equities Initial		29.7	(z)	-
Hong Kong Initial		63.8	(z)	-

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Baring International Fd Mngrs (Ireland) Ltd				
Australia	$16.27	17.09xd	+0.09	1.05
Japan Tech	$56.16	58.97	-0.88	-
Japan Fund	$23.82	25.02	-0.47	0.17
Japan New Cortn Fd	$18.02	18.93	-0.23	-
Malay Sing.	$54.51	57.24	-0.35	0.31
Nth American	$22.09	23.20	-0.10	0.98
Oceanus Fund	$21.63	22.72xd	-0.09	0.88
Pacific Fd	$60.57	63.60xd	-0.33	-
International Bond	$17.40	18.27xd	+0.03	6.89
Europa Fund	$13.38	14.05xd	+0.04	-
British Screen Fd.	£0.85	0.90xd	-0.01	-
Trister Warrant	$11.02	11.58	-0.03	-
Hong Kong	$51.64	54.23xd	+0.12	3.09
Mngd Portfolio (Stlg)	£3.91	4.22	-0.02	-
Mngd Portfolio (Dlr)	$10.19	10.75	-0.05	-
Currency Fd-Sterling		£19.81	+0.02	-
Currency Fd-US Dollar		$15.51	.....	-
Curr Fd-Deutschemark		DM41.08	+0.01	-
Curr Fd-Managed $	$46.09	48.39	+0.05	-
Federated International Funds Plc				
Federated Short-term US Gov't Securities Fund				
Institutional Svc Series*		$1.00	.....	4.30
Investment Series*		$1.00	.....	4.20

*Annualised Yield

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB Trust Funds—Contd.						
UK Equity	5	139.10	139.10	150.00	-8.57	0.92
International Equity	5	111.15	111.15	118.27	+0.53	0.00
Far Eastern	5	85.69	85.69	92.14	+6.10	0.00
European	5	76.82	76.82	81.28	-0.29	0.00
Pan American	5	150.94	150.94	160.01	+1.35	0.00
TSB Gilt Fund Ltd						
Quarterly Share	3	99.15	99.15	102.45	-0.08	10.05
Monthly Share	3	96.98	96.98xd	100.20	-0.05	10.28

JERSEY (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
Barclays Intl Funds				
Currency Funds				
Sterling		£21.55	.....	9.6
US Dollar		$31.57	.....	3.5
Deutschemark		DM55.73	.....	8.0
Yen		Y4,070	+0001	5.1
Managed Multicurrency	£13.04	13.51	+0.01	-
Managed Multicurrency	$25.34	26.23	.....	-
Bond Funds				
Sterling Bond	£0.412	0.427	-0.001	10.6
US Government Income	$99.74	103.29	.....	6.7
Asian Selection Funds				
Hong Kong	$13.145	13.837	+0.047	3.0
Indonesia	$7.794	8.204	+0.054	2.5
Korea	$9.592	10.097	-0.004	2.5
Malaysia	$9.630	10.137	-0.083	0.5
Philippines	$10.934	11.509	+0.147	2.5
Singapore	$11.499	12.104	-0.108	1.0
Thailand	$11.986	12.617	-0.059	2.5
South East Asia	$10.966	11.542	-0.045	3.0
US Dollar Liquidity	$9.585	10.064	+0.001	3.4

ISLE OF MAN (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Allied Dunbar Intl Fund Mgrs (1600)F						
Lord Street, Douglas, IoM					0624 661551	
ADI Managed(2)	5	0.5733	0.5733	0.6105	[illegible]	2.34
ADI Mgd Currency(2)	5	0.4182	0.4182	0.4408	[illegible]	5.2
ADI W'wide Eq(2)	5	0.644	0.644	0.6858	[illegible]	2.12
ADI Nth Amer Gth(2)	5	0.7895	0.7895	0.8408	[illegible]	0.01
ADI Far East (2)	5	1.071	1.071	1.14	[illegible]	1.17
ADI Gilt & Income(2)	5	0.2567	0.2567	0.2706	[illegible]	8.43

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Bundesbank unsettles markets

TENSIONS inside the ERM increased yesterday after the Bundesbank surprised the markets with a ½ point rise in German interest rates, forcing Belgium, Denmark and the Netherlands to raise their interest rates and causing speculation that a rise in French rates is not far behind.

The dollar also came under pressure, although the Bundesbank's move appears to have delayed a cut in the US discount rate, while in the sterling markets dealers were anticipating further losses for the pound.

The ½ point rise in German rates came as a shock to the currency markets. A few traders had anticipated a ¼ point rise while most dealers had expected the Bundesbank to leave rates unchanged.

The response was immediate. The dollar fell by over a pfennig against the mark, while inside the ERM, the gap between stronger and weaker currencies widened.

Mr David Cocker of Chemical Bank noted that it was not just the rise in rates that surprised the market but also the strength of the Bundesbank's comments afterwards. "The Bundesbank made it clear that further rises in rates cannot be ruled out and that this will depend on the outcome of the current wage round," he said.

The mark was particularly strong against the French franc, rising towards FFr3.42, the level which the Bank of France was recently forced to defend. The mark closed at FFr3.4190-95, up 20 points on the day.

Dealers believe it may only be a matter of days before the Bank of France is forced to raise interest rates. The intervention rate was left unchanged at 9.25 per cent yesterday, but there was widespread talk in the French markets that a ½ point rate increase will come early next week.

The Italian lira was also under pressure amid suggestions that the Bank of Italy had been intervening in the market. However, dealers noted the lira had more room for manoeuvre in the ERM than the French franc. The mark rose to L757.70 from L755.40.

Sterling slipped back to DM2.8575 from DM8700, although with the Spanish peseta firmer, its effective floor against the mark fell to DM2.8350, giving some leeway to the Bank of England.

Most dealers were expecting a further decline in sterling. The unwillingness of the UK government to consider a politically damaging rise in interest rates leaves sterling vulnerable to speculative attacks.

The dollar continued to weaken as a large rise in US weekly unemployment figures was reported. While the Bundesbank's move has delayed a cut in the discount rate, an eventual move by the Federal Reserve will widen the interest rate differential between US and Germany and further undermine the dollar.

The dollar fell back to a low of DM1.5550 before closing at DM1.5590 compared with DM1.5730.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Dec 19	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.697	-2.94	5.14	51
Belgian Franc	42.4032	41.9606	-1.04	3.13	47
D-Mark	2.05586	2.03807	-0.87	2.94	51
Dutch Guilder	2.31643	2.29668	-0.85	2.93	38
Irish Punt	0.767417	0.764631	-0.36	2.42	13
Italian Lira	1538.24	1541.09	0.19	1.86	-13
French Franc	6.89509	6.96721	1.05	0.99	-61
Danish Krone	7.84195	7.93194	1.15	0.89	-56
Sterling	0.696904	0.711186	2.05	0.00	-40

[illegible]

£ IN NEW YORK

[illegible]

STERLING INDEX

[illegible]

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

	£	$
Brazil	1793.25 - 1794.50	978.300 - 978.450
Finland	7.7360 - 7.7585	4.2250 - 4.2350
Greece	326.200 - 331.450	178.450 - 181.350
Hong Kong	14.2420 - 14.2555	7.7720 - 7.7740
Iran	117.90*	65.70*
Korea(Sth)	1374.55 - 1396.70	753.70 - 762.70
Kuwait	0.52230 - 0.52320	0.28490 - 0.28520
Luxembourg	58.65 - 58.75	32.00 - 32.10
Malaysia	5.0195 - 5.0275	2.7390 - 2.7420
Mexico	5572.30 - 5579.05	3040.00 - 3042.00
N.Zealand	3.3170 - 3.3205	1.8105 - 1.8125
Saudi Ar	6.6095 - 6.6915	3.7490 - 3.7500
Singapore	3.0045 - 3.0120	1.6420 - 1.6445
S.Af (Cm)	5.0685 - 5.0805	2.7660 - 2.7675
S.Af (Fn)	5.9100 - 6.0060	3.2260 - 3.2785
Taiwan	47.10 - 47.15	25.70 - 25.75
U.A.E.	6.6710 - 6.7480	3.6715 - 3.6735

*Official rate. Floating rate £-2578.0 $-1421.0

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

Long term Eurodollars: two years 5⅝-5¼ per cent; three years 5⅞-5¾ per cent; four years 6⅛-6¼ per cent; five years 6⅜-6¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Dec.19	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.834	2.858	235.3	9.778	2.535	3.223	2167.	2.114	58.70	1.407
$	0.545	1	1.558	128.3	5.332	1.382	1.757	1182	1.153	32.01	0.767
DM	0.350	0.642	1	82.33	3.421	0.887	1.128	758.2	0.740	20.54	0.492
YEN	4.250	7.794	12.15	1000.	41.56	10.77	13.70	9210	8.984	249.5	5.980
F Fr.	1.023	1.876	2.923	240.6	10.	2.593	3.296	2216	2.162	60.03	1.439
S Fr.	0.394	0.723	1.127	92.82	3.857	1	1.271	854.8	0.834	23.16	0.555
N Fl.	0.310	0.569	0.887	73.01	3.034	0.787	1	672.4	0.656	18.21	0.437
Lira	0.461	0.846	1.319	108.6	4.512	1.170	1.487	1000.	0.976	27.09	0.649
C$	0.473	0.868	1.352	111.3	4.625	1.199	1.525	1025	1	27.77	0.666
B Fr.	1.704	3.124	4.869	400.9	16.66	4.319	5.491	3692	3.601	100.	2.397
Ecu	0.711	1.303	2.031	167.2	6.950	1.802	2.291	1540	1.502	41.72	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls March	Calls June	Calls September	Puts March	Puts June	Puts September
105	2.88	-	-	0.17	0.51	-
106	1.61	-	-	0.34	-	-
107	0.96	-	-	0.68	-	-
108	0.49	1.23	-	-	1.20	-
Open Int	142,555	10,981	350	85,295	13,235	250

Estimated volume 28,814 Total Open Interest 252,666

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs	11	● Smith & Williamson Secs	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co	10.5	Westpac Bank Corp	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

European rates firm

EUROPEAN money rates moved higher yesterday after the Bundesbank surprised the markets with a ½ point rise in German interest rates.

Belgium, the Netherlands, Austria and Denmark all followed suit by immediately increasing interest rates. There was also widespread speculation that the weakness of the French franc will force France to tighten policy.

In London, UK rates firmed with the key three months inter-bank rate rising to 11-10¾ per cent from 10⅞-¾ per cent. The money market is now close to discounting a ½ point rise in UK base rates.

There was uncertainty over whether the UK would be able to resist a politically damaging rise in base rates. With the government fighting a general election some time in the first half of next year the chancellor is expected to do all he can to avoid a rise in rates.

On the other hand, sterling's weakness could force the authorities' hand. Money dealers said that once the markets calm down, three months money would settle at around 10¾ per cent, reflecting the division of opinion over the likelihood of a rate rise.

Overnight UK money rates were under less pressure after the Bank of England provided the market with much of its liquidity needs before midday. The forecast shortage was eventually put at £1.25bn, which exactly equalled the amount of assistance provided by the Bank.

French interest rates were forced higher after the Bundesbank's surprise move. In the futures market, the March three months inter-bank contract fell heavily to 90.27, down 28 points in busy dealing.

Money dealers said the French franc's performance against the D-Mark in the coming days will determine whether the Bank of France can avoid a rise in interest rates.

Yesterday it left the intervention rate unchanged at 9.25 per cent in its money market dealings. But with the mark pushing up perilously close to FFr3.42, the level which the Bank of France recently defended, it was far from clear whether France would be able to hold interest rates at their current levels.

After the Bundesbank's move there was speculation about an imminent reduction in the US discount rate. Dealers said that with the dollar under pressure, the Federal Reserve would hold fire on rates, despite the growing signs of economic weakness.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

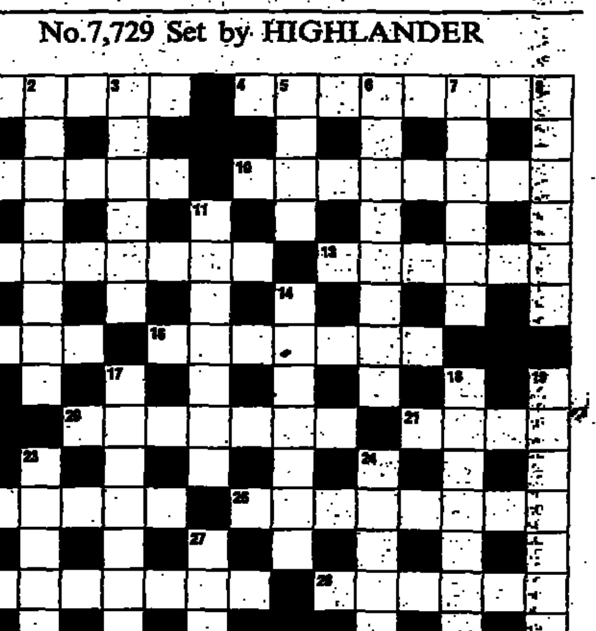
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,729 Set by HIGHLANDER



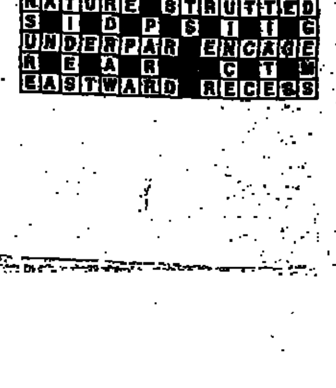
ACROSS

1 Goodman takes on jewellery chain (6)
4 One for each sex provided it's taken before meal (8)
9 Statement about drunk run in (6)
10 Work on rural life satisfied the examiners in viva, they say (8)
12 Starts to grow up in limbo; perhaps help is needed (8)
13 Soup tureen with silver key (6)
15 Time of month when primitive instincts take different directions (4)
16 Put ban on bird called Jemmy (7)
20 What runs over and around housing? A porch (7)
21 Rock party supporter dropped out of convenience (4)
25 Raised by charity to be snobbish (6)
26 Is to bring down to earth Queen of Tonga perhaps (8)
28 Harrow tie has class (8)
29 Criticise a mother's hat (6)
30 Delightful meadows bordered by pine (8)
31 Hard part is getting the point (6)

DOWN

1 Women's quarters are so large I run amok (8)
2 Went to find a couple in the grass (8)
3 Standard one relates to early conquest (6)
5 Perform on piano; song to follow (4)
6 Helping a beginner is sensible (8)
7 This stuff is black and brown (6)
8 Dropped everybody in the mire (6)
11 Sounds like a savage increase (7)
14 Foreign edition in de luxe cover (7)
17 Face plays an important part (8)
18 Pass the cheese round — it's produced without mechanical aids (8)
19 For example expose motoring group over delivery (8)
22 Stop to lift dress down (4,2)
23 An irregular, one hears, but brave (6)
24 Leave on holiday at beginning of Easter (6)
27 First safety-catch cocked gun (4)

Solution to Puzzle No.7,728



WORLD STOCK MARKETS

AUSTRIA

December 19	Sch	+ or −
Austrian Airlines	2,280	−50
Creditanstalt Pf	420r	−2
EA General	2,875	−25
EVN	795	−7
Jungbunzlauer	9,950	+70
OeMV	957	−2
Perlmooser Zement	1,373	+3
Radex Heraklith	433	−15
Reininghaus Brue	1,600	....
Steyr Daimler	238	....
Veitscher Magnesit	292	−14
Verbund (Br) A	497	−2
Wienerberger	4,360	−15
Z-Laenderbank	1,005	−5

BELGIUM/LUXEMBOURG

December 19	Frs.	+ or −
ACEC-Union Min	2,120	−50
AG Group	1,705	....
Arbed	3,250	+55
BBL	3,195	....
Bank Intl a Lux	11,100	−250
Banq Gen Lux Pts	12,250	+50
Barco	958	−10
Bekaert	9,100	....
CBR Ciment	6,580	−30
Cobepa	4,650	....
Cobepa AFV 1	4,610	−10
Cockerill Priv	136	−4
Colruyt	4,290	+30
Delhaize Frs Lion	7,900	−80
Electrabel	4,715	−10
Electrabel AFV	4,630	−20
Electrafina ACT	2,570	−20
GBL	3,285	....
GBL AFV 1	3,260	+30
GIB Group	1,220	−10
GIB Group AFV	1,176	+8
Gechem	316	....
Gechem AFV	350	....
Generale Banque	5,980	+60
Gen Banque AFV1	5,940	+130
Gevaert	6,100	−50
Kredietbank	4,085	−95
Kredietbk AFV	4,200	+10
Pan Holding Lux	13,100	....
[illegible]	[illegible]	[illegible]

FRANCE (continued)

December 19	Frs.	+ or −
Beghin-Say	596	−6
Beghin-Say Cert Inv	453	+3
Bongrain	2,450	−2
Bouygues	500	−8
CGIP	926	−4
C M B Packaging	163.90	+0.90
Canal+	944	−39
Cap Gemini S	253.50	−9.50
Carrefour	2,229	+5
Casino	130	....
Cetelem	602	−12
Chargeurs	860	−15
Club Mediterranee	395	−6
Cogifi	325	−5
Coparex	600	....
C C F	158.80	−0.20
Cr Fonc France	903	+2
Cred Lyon (CI)	475.50	−6.50
Credit Nationale	915	−14
Damart	2,229	−41
Docks de France	349	−1
Dollfus Mieg Cie	262.10	−0.90
EBF	740	+1
Eaux Cie Genl	1,993	−27
Ecco	340	+5.50
Elf-Aquitaine	388	−3
Elf-Aquitaine Certs	245	−6.50
Essilor Int	298	−6
Etex	1,700	....
Eurafrance	1,260	−53
Eurocom	550	....
Euro Disney	135.60	−0.10
Exor	1,325	+4
Finextel	114.20	−5.70
Fonc Lyonnaise	650	−10
From C et Aur	2,220	−38
GTM-Entrepose	332	+2
Gal. Lafayette	1,390	....
Gaumont (Soc N)	614	−3
Geophysique	480	−20
Hachette	125	+3
Havas	418	−2
Imetal	234	−1.20
Imm de France	790	−5
Immobanque	700	−20
Immob Phenix	136.40	−3.50
Industrielle	6,300	−210
Interbail	445	....
[illegible]	[illegible]	[illegible]

GERMANY (continued)

[illegible]

NETHERLANDS

[illegible]

SWEDEN (continued)

[illegible]

SWITZERLAND

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) Unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. Owing to problems at Telekurs, some N.American stocks are temporarily being marked off early.

CANADA

TORONTO

3:00 pm prices December 19

Quotations in cents unless marked $

900 Can Util B	$20½	20⅜	20½	−⅛
1900 Canamax	32	32	32	
23300 Cantor x	$21½	21¼	21½	+¼
3800 CnPcForest	$22¾	22⅜	22¾	−⅜
12800 Cara Op x	500	d500	500	
2200 Cascades	$5⅞	5⅝	5⅝	−⅛
500 Celanese	$40	40	40	
3500 Cntrl Cap	35	35	35	−5
24500 Cinep. Odn	250	234	234	−6
1800 Cntrl Fd A	450	450	450	+5
6800 Cominco x	$20	19⅞	20	
5500 Computalog	78	78	78	−1
7000 Jannock	$16½	16½	16½	
800 KerrAddis	$16	15⅝	15½	
14000 Labatt x	$25¼	25	25⅛	−⅛
233800 Lac Minls	$8¾	8½	8⅝	
4800 Lafarge	$12½	12⅜	12½	+¼
29800 Laidlaw A	$9½	9⅛	9¼	
380600 Laidlaw B	$9½	9⅛	9⅜	+⅛
300 Laurent Bk	$19½	19½	19½	
100 Laurent Gp	$5⅞	5⅞	5⅞	
800 Rayrock	490	d470	490	+20
1000 Reed Sten	$22	22	22	
1500 Reitman S	$16¼	16¼	16¼	
3600 Ren'sance	$12⅝	12⅜	12½	−⅛
36700 Repap Ent	415	385	400	
600 Rio Algom	$15¼	15	15	−⅛
123700 RogersComB	$13⅛	12⅞	12⅞	+⅛
2200 Rothmans	$74¼	74¼	74¼	
49600 RoyalBkCan	$26	25⅝	26	+⅛
128100 Ryl Oak Mn	158	138	158	+19
208500 RylTrustco	$8½	d8¼	8½	+⅛

Other Toronto entries: [illegible]

MONTREAL

3:00 pm prices December 19

6300 MacleanHnt	$11⅛	11⅛	11⅛	
39800 NatBk Can	$11⅛	11	11⅛	+⅛
1800 Provigo x	$9⅛	9⅛	9⅛	+⅛
6800 Quebecor A	$19¾	19½	19¾	
76700 Teleglobe x	u$11	10⅝	10⅞	
34200 Videotron	$15	14⅞	15	+⅛

Other Montreal entries: [illegible]

Total Sales 7,708,600 shares

INDICES

NEW YORK

DOW JONES	Dec 18	Dec 17	Dec 16	Dec 13	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
φIndustrials	2908.09	2902.28	2919.05	2914.36	3077.15 (18/10)	2470.30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	97.92	98.00	97.90	97.81	98.00 (17/12)	91.30 (16/1)	98.00 (17/12/91)	54.99 (1/10/81)
Transport	1208.52	1206.46	1220.48	1218.80	1287.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	214.38	214.20	215.07	217.70	221.64 (2/12)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

φDay's High 2921.29 (2936.27) Low 2870.30 (2886.40)

STANDARD AND POOR'S

	Dec 18	Dec 17	Dec 16	Dec 13	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	383.48	382.74	384.46	384.47	397.41 (13/11)	311.49 (9/1)	397.41 (13/11/91)	4.40 (1/6/32)
Industrials	452.98	451.95	453.55	452.77	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	30.34	30.42	30.71	30.83	32.54 (13/11)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	211.44	211.21	212.08	211.90	219.37 (13/11)	170.97 (9/1)	219.37 (13/11/91)	4.46 (25/4/42)
Amex Mkt. Value	368.72	369.81	370.45	369.48	392.37 (12/11)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	539.84	539.70	543.73	540.90	556.17 (13/11)	355.75 (14/1)	556.17 (13/11/91)	54.87 (31/10/72)

	Dec 13	Dec 6	Nov 29	year ago (approx.)
Dow Industrial Div. Yield	3.14	3.17	3.15	3.97

	Dec 11	Dec 4	Nov 27	year ago (approx.)
S & P Industrial div. yield	3.22	2.80	2.82	3.31
S & P Indl. P/E ratio	21.05	22.98	22.78	15.89

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Healthtrust	2,739,400	14⅝	+ ⅜
Comw Ed	2,525,400	38½	- 1⅛
Gen Motors	2,387,500	27⅝	- ⅛
Saatchi	2,383,600	⅛	+ 1/16
RJR Nabisco	2,328,900	10	- ⅛
Citicorp	2,222,800	9⅛	- ⅛
USX-Marathon	2,205,000	22	+ ⅛
Delta Woodside	2,063,700	15⅞	- 7⅛
Glaxo	1,968,000	30⅛	- ⅜
Woolworth	1,924,800	24⅛	- ⅛

TRADING ACTIVITY

† Volume (Millions)	Dec 18	Dec 17	Dec 16
New York SE	192.350	191.280	173.010
Amex	13.929	16.253	15.696
NASDAQ	176.781	191.123	148.401
NYSE			
Issues Traded	2,187	2,189	2,190
Rises	747	571	990
Falls	894	1,150	693
Unchanged	546	468	507
New Highs	40	64	73
New Lows	57	58	38

CANADA

TORONTO	Dec 18	Dec 17	Dec 16	Dec 13	1991 HIGH	1991 LOW
Metals & Minerals	2720.06	2689.56	2724.79	2768.41	3299.99 (18/7)	2632.06 (9/1)
Composite	3332.62	3325.08	3346.16	3359.47	3604.09 (12/11)	3161.95 (15/1)
MONTREAL Portfolio	1769.31	1763.49	1777.45	1779.00	1907.35 (12/11)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec 19	Dec 18	Dec 17	Dec 16	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1581.4	1578.5	1599.8	1605.2	1696.3 (8/11)	1204.5 (16/1)
All Mining (1/1/80)	627.6	627.2	638.7	637.2	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	383.92	386.49	385.99	383.37	534.81 (16/4)	379.16 (12/12)
BELGIUM						
BEL20 (1/1/91)	1069.88	1072.59	1076.05	1076.61	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	350.21	350.51	348.71	348.17	380.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	769.6	768.5	768.9	774.4	1186.9 (8/4)	768.5 (18/12)
FRANCE						
CAC General (31/12/82)	464.13	465.80	465.02	464.45	503.51 (15/11)	394.88 (15/1)
CAC 40 (31/12/87)	1684.19	1706.17	1711.73	1696.80	1887.29 (1/10)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	636.11	638.79	633.34	632.08	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1793.3	1801.7	1786.1	1782.9	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1561.77	1573.75	1560.93	1562.89	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4182.81	4177.67	4185.03	4171.66	4271.34 (15/11)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1367.98	1378.13	1386.81	1381.07	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	496.16	503.75	505.33	499.96	619.38 (3/6)	482.89 (10/12)
JAPAN						
Nikkei (16/5/49)	21991.19	22629.90	22736.29	22836.67	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1668.26	1704.01	1718.78	1728.18	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	2475.60	2494.93	2513.72	2510.66	3423.45 (10/5)	2466.62 (11/12)
MALAYSIA						
KLSE Composite (4/4/86)	541.13	540.61	543.30	542.45	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Ttl.Rtn Gen.(End 1983)	270.5	272.5	273.0	272.9	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	190.0	191.4	191.7	191.7	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	640.32	650.43	655.03	657.49	793.53 (26/8)	595.77 (2/12)
PHILIPPINES						
Manila Comp (2/1/85)	1114.43	1114.58	1111.31	1113.08	1183.40 (29/5)	582.64 (10/1)
SINGAPORE						
SES All-Singapore (2/4/75)	391.48	392.80	395.78	396.25	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1175.0§	1186.0	1198.0	(c)	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4142.0§	4133.0	4136.0	(c)	4364.0 (13/11)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	607.39	607.69	623.40	630.45	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	231.82	234.95	236.67	237.69	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	878.50	891.9	892.9	892.7	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	713.6	718.1	719.2	717.9	769.3 (14/11)	590.4 (14/1)
SBC General (1/4/87)	577.9	582.9	583.8	583.2	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4466.57	4467.62	4400.30	4391.53	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	690.29	697.00	694.12	695.48	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	500.2°	505.0	506.7	507.9	529.2 (17/4)	439.1 (16/1)

**Saturday December 14: Taiwan Weighted Price: 4399.61; Korea Comp Ex. 639.72.
°Calculated at 15.00 GMT.
§ Subject to official recalculation.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 19 December 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Osaka Gas	6.2m	891	-2	Hokuetsu Bank	2.0m	748	-1
Toyo Ink	5.6m	958	0	Mitsui Sugar	1.9m	756	-26
Nippon Steel	5.5m	351	-6	Kobe Steel	1.9m	415	-9
Chugoku Marine	2.2m	1,150	-50	Meiji Milk	1.8m	1,000	-30
Okamoto	2.0m	1,080	-30	Mitsui	1.6m	891	-34

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3:00 pm prices December 19

1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	4.5	14	342	11	10⅝	10¾	-¼
22⅞	14½	A L Labs A x	0.16	0.7	23	92	21⅛	21¼	21⅜	-⅛
55¾	40⅞	AMP Inc	1.44	2.8	21	528	53	52¼	52¾	-¾
68⅝	44¼	AMR			11	4322	63⅛	62	62½	-¼
2⅝	1	ARX			1	100	1⅜	1¼	1⅜	+⅛
56	41½	ASA	3.00	6.6	13	374	46⅞	46¼	46¼	-⅛
61⅞	38¼	Abbott Lab x	1.00	1.6	25	4330	61¾	60⅞	61⅝	+⅜
14⅝	9⅞	AbtWbl Pr x	0.50	3.9	17	31	13	12¾	12¾	-⅛
11⅝	10⅜	ACM Gvt In x	1.28	11.4		741	11⅛	11	11	-⅛
9¾	8¾	ACM GvOpp x	1.01	10.8		109	9½	9⅜	9⅜	
9½	8¼	ACM Gvt Sp	1.01	11.1		398	9⅛	9⅛	9⅛	-⅛
11	9⅞	ACM Gvt Se x	1.28	11.8		280	10⅝	10½	10⅝	
9	7⅝	ACM Man x	1.09	12.3		349	u9	8⅞	8⅞	
12⅞	11½	ACM Managd x	1.35	10.8		273	12½	12⅜	12½	
7½	4⅛	Acme Cleve	0.40	6.7	13	28	6⅛	6	6	
8	3⅝	Acme Elect			3	52	4⅜	4¼	4¼	+⅛
40	22¾	Acuson			18	698	28¼	27¾	27⅞	-½
20¼	14¼	Adams Expr	1.63	9.0	0	95	18⅛	17⅞	18	-⅛
20⅛	13⅝	Adobe12Pf	2.40	17.6		179	14⅛	d13⅝	13⅝	-⅛
9¼	4⅜	Adobe Res			43	772	4⅝	d4¼	4⅜	-⅛
40½	18	Ad Micro				1163	u42	40½	42	+8⅞
16⅛	4⅝	Ad Micro P	3.00	17.6	84	3766	u17⅛	16⅝	17	+2
5⅛	2⅛	Advest Grp	0.16	3.8	6	111	4⅜	4¼	4¼	
49⅛	31⅞	Aetna Lf x	2.76	7.1	7	2447	38⅞	37¼	38⅝	+1⅜
10⅝	6⅝	Affil A x	0.24	2.9	74	258	8⅜	8¼	8¼	
20⅞	12	Ahmanson	0.88	6.3	6	2401	14	13¼	13⅞	+⅛
[illegible]										

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

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- H -

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- K -

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- L -

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- M -

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- N -

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- O -

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- P - Q -

[illegible]

- R -

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Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1991 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chg
68½	35¼	Xerox	3.00	4.7	11	1858	64⅞	63⅞	63⅞	-1⅛
51¾	43¼	Xerox4.125				4	50	50	51	+1
25¼	14⅛	Xtra 1.94				10	23⅞	23⅞	23⅞	-¼
29¾	14¼	Xtra Corp	0.72	2.6	13	5	28¼	28	28	
27⅞	21¾	Yankee Egy x	1.60	6.6	11	46	24½	24⅛	24⅜	+⅜
1½	⅜	Zapata				49	260	½	d½	½
9⅜	5¼	ZenithElec				2	155	6¾	6¾	6¾
18½	12	Zenith Nat x	1.00	6.7	123	43	14⅞	14¾	14⅞	+⅛
6⅝	4½	Zenix Inc x	0.84	13.7		103	6¼	6⅛	6⅛	
15⅜	10	Zero Corp	0.40	3.8	13	246	10½	10⅜	10½	-⅛
41⅞	28½	Zurn Ind x	0.88	2.9	12	319	31⅝	30½	30¾	-½
13½	10¼	Zweig Fund	1.16	9.1		80	12¾	12⅝	12¾	
10½	8½	Zweig Total x	0.96	9.2		429	10⅜	10¼	10⅜	+⅛

Price data supplied by Telekurs.

Owing to problems at Telekurs, some North American prices are temporarily being marked as xd early.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices December 19

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Oil Corp x	0.14	7	546	7½	7⅜	7⅜	-⅛
Pall Corp	0.44	28	914	36⅞	35¼	35¾	-⅞
Pegasus G x	0.10	7	1583	12¼	11¾	11¾	-⅛
Perini		6	9	9¼	9⅛	9⅛	-⅛
Pet H&P x	0.31	7	20	10½	10½	10½	+¼
Phil LD x	0.18	12	305	30⅞	30⅛	30¼	
Pitway A x	1.10	11	107	26½	25⅞	26	-¾

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NASDAQ NATIONAL MARKET

3:00 pm prices December 19

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Westmark		29	401	48	47	47	-½
WestonCoal	0.32	25	228	17½	16½	16½	
Wet SealA		22	502	8	7½	7¾	
Wetterau	0.68	46	392	25¼	24¼	24¼	-⅞
Wicat Sys		68	379	3⅛	2⅝	2¾	-¼
Wilmette	1.60	23	456	55¾	54½	55	-1¼
WmsSonoma		25	1221	16	15	15¼	-⅛
Wiser Oil	0.40	21	113	14½	d14	14¼	
Wolohan L x	0.28	10	114	16½	15¾	15¾	-¾
Wolv Expl		0	132	½	7/16	7/16	
WIvExNRDA			734	⅜	d5/16	7/16	
Worthgtn x	0.44	24	1298	19½	19⅛	19½	+⅜
WPP Group	1.11	1	3009	1⅝	d1⅜	1 5/16	-1/16
Wyman-Gor	0.40	10	645	4⅛	3⅞	3⅞	-¼

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		29	4358	27½	25¾	26¼	-1½
XL Data		31	89	10½	10⅜	10⅜	
Xoma Corp		10	1981	19¼	18⅜	18½	-½
Yellow Fr	0.94	17	1611	24⅞	d23¾	24⅜	-⅜
York Rsch		61	577	7⅝	7¼	7⅜	-¼
ZionsUtah	1.44	8	52	40½	39	39½	-½

FINANCIAL TIMES

Friday December 20 1991

AMERICA

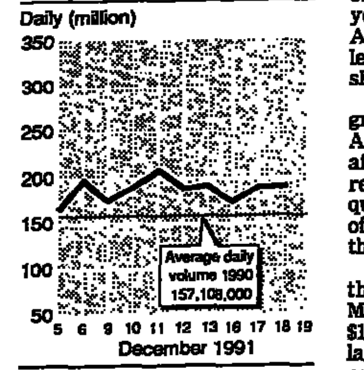
US equities show resilience in face of bad news

Wall Street

ALTHOUGH US share prices fell yesterday morning, they showed remarkable resilience in the face of more bad unemployment news, another big overnight fall in Tokyo equities, and a dollar weakened by a rise in German interest rates, *writes Patrick Harverson in New York.*

By 12.30pm the Dow Jones Industrial Average was down 4.24 at 2,903.85, having recovered from an early double-digit loss. The more broadly based Standard & Poor's 500 was also slightly easier at midsession,

NYSE volume



down 1.09 at 382.39. The Nasdaq composite of over-the-counter stocks ran into heavy selling, and fell 3.99 to 535.85. Volume on the NYSE was 98m shares.

A near-3 per cent fall in Tokyo overnight and news of a 79,000 increase in the number of people claiming state unemployment insurance in the first week of December set the stage for a downbeat opening to New York trading. The dollar's decline – triggered by the German interest rate rise – was also unfavourable for equity market sentiment, because a weak dollar reduces the value of US exporters' overseas earnings (although it makes goods more competitive abroad).

The fact that stocks held their own suggested that hopes of an interest rate cut in the US remained high. Mr Alan Greenspan, chairman of the Federal Reserve, publicly expressed his concern about the economy on Wednesday, and analysts expected an easing of monetary policy in the next few days.

Among individual stocks, General Motors fell $⅝ to $27⅝ as the market digested the details of its massive restructuring, announced midweek. Of its competitors, Ford eased $¼ to $24½ and Chrysler held steady at $10.

Boeing rose $¾ to $42¾ on news of more jet orders worth about $3.1bn. USAir fell $¼ to $10⅝ after it agreed in principle to take over the running of the east coast Trump shuttle airline service, with the option of buying it outright after five years. AMR, the parent of American Airlines, which pulled out of talks with Trump, slid $⅛ to $62⅞.

Amdahl, the computer group, fell $⅜ to $12¾ on the American Stock Exchange, after warning that it would report a loss in the fourth quarter, compared with a profit of 55 cents a share earned at the same stage in 1990.

One of the biggest gains of the day was by Advanced Micro, which jumped $1⅞ to $16⅝ after the company said late on Wednesday that unexpectedly strong demand for its computer chips would push fourth quarter sales well above the $325m forecast by analysts.

Canada

TORONTO EASED at the opening, pushed down by weakness in offshore equity markets, higher German interest rates and a larger-than-expected jump in weekly US jobless claims. The composite index was off 7.6 at 3,325.1 in volume of 3.91m shares.

Declines led advances by 154 to 83, with 228 unchanged. Analysts said that tax loss selling also contributed to the weakness. Among active industrials, Shaw Cable was flat at C$15 and Inco was off C$⅛ at C$32½. In mines and oils, Encor fell 5 cents to 25 cents and Curragh Resources was 35 cents lower at C$3.

Series of stumbling blocks gives Japan a bad year

Share scandals and Soviet instability have helped to trip up equities in 1991, writes Emiko Terazono

THERE HAVE been just too many stumbling blocks for the Japanese stock market this year, laments a fund manager at Dai-Ichi Mutual Life Insurance. "We didn't expect the slump would continue this long."

Fate has been unkind to the Japanese equity market. Revelations of stock scandals, together with a decline in business confidence and instability in the Soviet Union, hit a market already crippled by the sharp falls of 1990.

The market's failure to recover has shocked the once bullish traders and fund managers, most of whom entered the business when prices were booming. Japanese equities are now about to enter their third year of weakness, in their longest post-war correction.

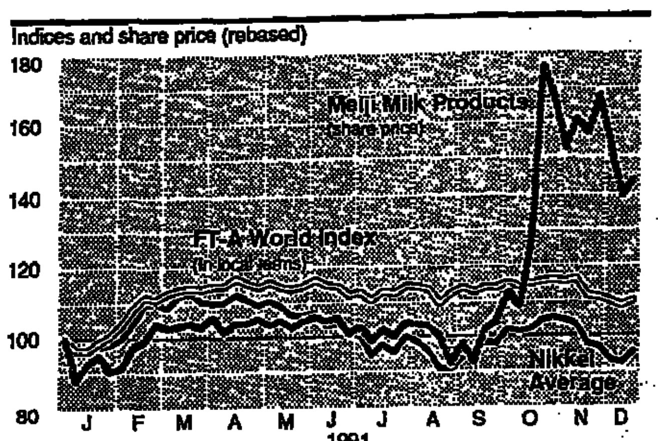
The slowdown in the economy and decreasing inflationary pressures have led to lower interest rates, but this has failed to prompt domestic buying of shares. "The supply and demand situation is so bad that it's no use buying equity," says Mr Osamu Otsuka, an official at the security investment division of Sumitomo Life.

Active buying by foreigners was balanced by domestic investors' selling whenever the market reached higher levels. For the first 11 months, foreign investors were net buyers to the tune of Y5,508.9bn ($43bn), while investment trusts sold a net Y1,407.3bn, and companies Y1,713bn.

The market's structural problems remain unresolved. The authorities are still in debate over a regulatory watchdog, and a row over deregulation of commissions continues. Brokerage officials have resigned and the Big Four securities houses – Nomura, Daiwa, Nikko and Yamaichi – have apologised through newspaper advertisements; but many investors remain unconvinced.

In October, a surge in Meiji Milk Products' stock seemed to prove that old habits die hard. A report that Meiji Milk had discovered an anti-Aids substance sent the stock price soaring.

Some foreigners raised an eyebrow at the timing of the news release. The exercise period for the company's bond with warrants expires at the end of December. "Meiji Milk would have had to borrow funds if the warrants were not exercised," said an official at a UK brokerage. The company said that this was coincidental.



The recent new listing by Sony Music Entertainment, the music software arm of the electronics group, was also a target of criticism by investors.

The company raised Y120bn, the largest amount raised by a private company through a public offering. But Sony chose its time badly and then, promptly, lost the Rolling Stones as recording artists; the issue plunged on the first day of trading, leaving holders of the issue with large losses. Analysts blame the Sony debacle for flooding the market with new paper and exacerbating the market slump, making new listings for other smaller companies impossible.

Meanwhile, in contrast to the sluggishness in the cash market, trading in the stock futures market has boomed. Turnover in the Nikkei 225 futures contracts totalled Y499,400bn for the first 11 months of the year, five times that of the cash stock market.

Arbitrage trading between the cash and futures market has increased to record highs, and authorities have become increasingly nervous that the volatility in cash share prices created by futures trading is turning investors away from stock investments.

The Tokyo and Osaka stock exchanges, by raising margin deposits, tightened restrictions this week for the third time this year, in order to curb futures activity and revive the cash market. Yet traders contend that raising the price for futures transactions will not tempt investors back into the cash markets.

The imbalance between supply and demand of equity is expected to continue. On the supply side, investment trusts and corporations still carry equity holdings with losses, an overhang of potential supply from equity-linked bonds is expected to arise, and the government expects to sell off holdings of Japan Railway and NTT shares.

On the demand side, many doubt that foreigners will be able to match this year's heavy activity again. "Some foreigners are becoming disenchanted with the market, and do not like to be the only ones buying," explains one analyst.

Mr Shiomichi Kawamoto at Nikko Research Institute, the research arm of Nikko Securities, says that the key to a recovery will be the resumption of buying by individual investors. Individuals were net sellers of Y2,411.7bn during the January-November period.

Companies, badly bruised by their equity investments, are now suffering from lower profits and have little scope for financial investments. Life insurers are also remaining sidelined. Mr Otsuka at Sumitomo Life says that the industry could not buy into stocks ahead of the closing of their books in March.

For the full year, there is still a two-way market in predictions. With the absence of buying by individuals, Mr Kawamoto sees the upward limit for the Nikkei average – which closed yesterday at 21,991.19 – at 24,000, with the index possibly falling below 20,000 early in the year.

However, Ms Kathy Matsui, strategist at Barclays de Zoete Wedd, is more optimistic. "After the first quarter," she says, "domestic demand will recover." She predicts that, although the Nikkei average may fall to 21,000 at the beginning of the year, the index could then rise to 28,000.

ASIA PACIFIC

Nikkei drops back below 22,000 as futures prices fall

Tokyo

ARBITRAGE AND options-linked selling sickened the equity market yesterday. Foreign selling of high-profile blue chips was also reported as the Nikkei average lost 2.8 per cent, falling below 22,000 for the first time in five trading days, *writes Emiko Terazono in Tokyo.*

The Nikkei closed down 638.71 at 21,991.19, after opening at 22,551.94, the day's high. The low was 21,973.88 and volume was thin at 200m shares.

Declines led advances by 926 to 81 with 103 unchanged. The Topix index of all first section stocks fell 35.75 to 1,688.26 and, in London, the ISE/Nikkei 50 index eased 1.69 to 1,242.19.

Futures prices prices fell sharply in the morning. Traders said that this week's tightening of restrictions on futures trading had hurt sentiment. "The increase itself is not large, but it reflects the stock exchanges' determination to reduce speculative trading in the futures market," said a trader at a leading US broker.

Most investors remained inactive as traders with put options tried to push the index down. Options contracts can be executed each Thursday.

All 36 market sectors posted declines. High-technology blue chips moved lower on earnings concerns. Hitachi lost Y15 to Y890 and Sony Y140 to Y4,050 while Sony Music Entertainment, its music software subsidiary, fell Y110 to Y4,920.

Nippon Steel fell Y6 to Y351 and Kobe Steel lost Y9 to Y415. Steel issues have been weak recently on a poor earnings forecast for the industry by Nomura Research Institute, the research arm of the Japanese brokerage. The institute predicts that aggregate pre-tax profits for the six major steelmakers will plunge 42 per cent in the fiscal year 1991, and 62 per cent in 1992.

Mitsubishi Bank fell Y40 to Y2,460 and the Bank of Tokyo lost Y60 to Y1,430, after rising on Wednesday on rumours of a merger. Other banking stocks were also sluggish, with Industrial Bank of Japan down Y70 at Y3,100 and Fuji Bank losing Y80 to Y2,380.

Ohbayashi Road Construction was one of the few bright spots of the day, rising Y70 to Y2,220. Road companies are the major beneficiaries of the construction ministry's expanded Y10,000bn spending for road building this fiscal year.

In Osaka, the OSE average fell 474.18 to 23,878.86 in volume of 60m shares. Chugai Ro, a steel mill furnace maker, fell Y30 to Y835, pulled down by weak steel issues. The company expects brisk sales to support pre-tax profits for the current year, but the weakness in steel companies, the company's leading customers, depressed sentiment.

Roundup

PACIFIC RIM markets were little changed yesterday, with the exception of New Zealand.

NEW ZEALAND was lifted 2 per cent by a fall in the local dollar, which improved the outlook for exports. The NZSE-40 index rose 27.55 to 1,437.41 as turnover fell to NZ$18.8m from NZ$24.3m.

AUSTRALIA ended slightly higher before the vote that ousted Prime Minister Bob Hawke and replaced him with Mr Paul Keating, the former treasurer. Hopes of Mr Keating's victory had lifted the All Ordinaries index about 10 points, before news of worse-than-expected housing finance figures eroded the gains. The index closed 2.8 higher at 1,581.4 in active trading worth A$304m, up from A$236m.

Compass Holdings was suspended amid liquidity troubles. Its competitor, TNT, rose 5 cents to A$1.50.

BANGKOK encountered late profit-taking, and the SET index fell 6.71 to 690.29 on turnover of Bt3.4bn. A trader said that the decline was caused partly by reports of margin calls by brokers preparing to close their 1991 books.

HONG KONG responded to Wall Street's overnight stability and prospects of a cut in local interest rates, and the Hang Seng index rose 5.14 to 4,182.81 in turnover up from HK$1.13bn to HK$1.21bn.

SINGAPORE's volume dropped from S$76m to S$60m as the Straits Times Industrial index fell 6.54 to 1,431.64. The lower steel price pushed Nat Steel down 10 cents to S$4.50.

KUALA LUMPUR was boosted by last-minute selective buying by the government's PNB investment fund. The composite index added 0.52 to 541.13.

TAIWAN added 8.95 as the composite index closed at 4,466.57, as turnover rose from T$19bn to T$22bn. Analysts said that officials of the ruling Kuomintang had been propping up the market before the National Assembly election.

SOUTH AFRICA

JOHANNESBURG drifted yesterday, as the bullion price moved sideways and the financial rand was subdued. The all-gold index eased 11 to 1,175 and the all-share index slipped 8 to 3,438, while the industrial index added 9 to 4,142.

EUROPE

Bundesbank's rate rise unsettles bourses

SURPRISE AT the timing and extent of the Bundesbank's interest rate increases was expressed, but not always fully reflected in share prices yesterday, *writes Our Markets Staff.*

PARIS fell sharply after the German rate rise. However, a higher bond market – which was betting that this interest rate rise would be the last – and an early recovery on Wall Street helped the bourse to recoup part of the losses, said Mr Thierry Defforey of Kleinwort Benson in Paris.

The performance of the franc against the D-Mark in the next few days would be crucial for domestic interest rates, he added, and hence for equities.

The CAC 40 index fell to a day's low of 1,667.19, but closed at 1,684.19, down 21.98 or 1.3 per cent. Turnover was moderate, rising from FFr2.2bn to about FFr2.5bn, but half of that total was said to be end-of-year window-dressing.

Financials were weak, with Suez down FFr10.20 or 3.6 per cent at FFr269.90 and Société Générale off FFr13 or 2.8 per cent at FFr447.40. Among insurers, AGF lost FFr31 or 6.7 per cent to FFr434 and UAP FFr17 or 3.7 per cent to FFr443.

FT-SE Eurotrack 100 - Dec 19

Hourly changes							
Open	10 pm	11 am	Noon	1 pm	2 pm	3 pm	Close
1051.04	1050.50	1048.15	1047.98	1042.93	1042.52	1041.99	1043.04

Day's High 1051.12 | Day's Low 1040.95

Dec 18	Dec 17	Dec 16	Dec 13	Dec 12
1055.55	1056.74	1051.15	1051.10	1040.33

Base value 1000 (26/10/90)

Perrier was one of the most active stocks, rising FFr36 or 2.8 per cent to FFr1,304, on speculation that the bid by Ifint of Italy for Exor, Perrier's parent, would have to be extended. The COB, the market regulator, said that it had delayed approval of the bid.

FRANKFURT offered a subdued reaction after hours to the Bundesbank move. The DAX December future fell to 1,551, recovering to 1,553, down 8 from Wednesday's close.

Dealers said that they would have expected a rise of 0.25, not 0.5, percentage points, and in the Lombard rate alone, not in both Lombard and discount.

The market's ability to react was limited, they argued. First, they said, the DAX had lost virtually all of Wednesday's gains during the official session, closing 11.98 lower at 1,561.77, after a 2.68 gain to 636.11 for the FAZ at midsession. This was no help to potential sellers.

Second, traders and speculators were unwilling to take positions before today's closing of DTB options and futures contracts; individual blue chips can fluctuate unpredictably on closing day. Volume rose from DM3.3bn to DM4.3bn.

MILAN closed lower before the Bundesbank news, the Comit index falling 7.59 to 496.16. The stock market regulatory agency, Consob, revoked a ban on short selling, and dealers said that a fall of 6.7 per cent in Olivetti was influenced by this decision.

However, there were also drops of between 2 and 3 per cent in Fiat, Credito Italiano and Montedison, on depression about the economic outlook at home and abroad.

ZURICH considered the German interest rate increases, but domestic banking worries counted for more as the Crédit Suisse index fell 2.9 to 440.3. In the banking sector, SBC dropped SFr8 to SFr276 on rumours, subsequently denied, about a downgrading of its credit rating.

AMSTERDAM slipped as the Dutch followed the Germans, and raised interest rates by half a point. The CBS Tendency index recovered from a day's low of 86.9 to close 0.6 down at 87.2.

KLM, the carrier, defied the trend, rising 90 cents to Fl 39.20 on persistent speculation concerning British Airways.

STOCKHOLM fell in heavy trade, turnover rising from SKr492m to SKr509m as the Affärsvärlden General index closed 13.40 lower at 878.50. Skandia fell SKr8 to SKr165 after the Riksbank blocked S-E Banken's 4.9 per cent stake.

OSLO's all-share index fell 8.84, or 2.2 per cent, to 399.26. MADRID's general index fell 3.13 or 1.3 per cent to 231.82 in turnover of about Pta16bn.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY DECEMBER 18 1991								TUESDAY DECEMBER 17 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	146.93	−1.5	119.36	119.30	120.16	126.38	−1.5	4.62	149.23	121.53	121.31	122.43	128.28	160.31	112.74	118.61
Austria (20)	164.62	+0.3	133.73	133.67	134.63	134.35	+0.3	2.15	164.10	133.64	133.40	134.63	133.96	222.37	153.86	206.57
Belgium (47)	136.43	+0.0	110.83	110.77	111.57	108.84	+0.0	5.44	136.37	111.06	110.85	111.88	108.80	151.20	118.04	135.84
Canada (115)	130.62	−0.1	106.12	106.06	106.82	108.49	+0.1	3.38	130.70	106.44	106.24	107.22	108.41	144.28	126.49	129.80
Denmark (37)	259.80	+0.9	211.06	210.95	212.46	215.90	+0.9	1.66	257.41	209.63	209.25	211.18	213.91	270.56	217.74	241.09
Finland (15)	74.42	+1.5	60.46	60.43	60.86	66.42	+1.4	3.67	73.32	59.71	59.61	60.15	65.51	125.15	73.32	104.22
France (109)	140.29	+0.0	113.97	113.91	114.72	118.34	−0.3	3.74	140.36	114.31	114.09	115.14	118.68	152.26	119.11	137.58
Germany (65)	112.72	+1.3	91.57	91.53	92.18	92.18	+0.9	2.50	111.32	90.66	90.50	91.32	91.32	125.35	94.15	118.15
Hong Kong (55)	172.00	−0.1	139.73	139.66	140.67	171.65	−0.1	4.33	172.21	140.25	139.99	141.29	171.89	176.14	119.62	124.31
Ireland (16)	163.07	−0.5	132.47	132.41	133.36	135.52	−0.5	3.70	163.81	133.41	133.16	134.39	136.14	182.46	132.88	154.65
Italy (77)	72.15	+0.0	58.62	58.58	59.00	64.02	−0.2	3.62	72.14	58.75	58.64	59.18	64.17	88.23	64.76	82.30
Japan (474)	130.60	−0.7	106.10	106.04	106.82	106.04	−0.8	0.80	131.56	107.14	106.95	107.95	106.95	146.97	118.23	132.24
Malaysia (68)	206.87	−0.6	168.05	167.96	169.17	218.54	−0.7	2.85	208.18	169.54	169.22	170.78	220.16	247.78	189.18	203.40
Mexico (17)	1300.03	+0.0	1056.11	1055.56	1063.16	4322.42	+0.0	1.18	1300.17	1058.84	1056.91	1066.66	4322.91	1404.63	534.45	586.08
Netherland (31)	147.27	+0.1	119.64	119.58	120.44	119.18	−0.2	4.53	147.05	119.76	119.54	120.64	119.40	148.25	125.70	135.80
New Zealand (14)	44.23	−0.8	35.93	35.92	36.17	42.75	+0.1	6.43	44.59	36.31	36.25	36.58	42.73	54.64	41.18	43.47
Norway (30)	173.30	−0.7	140.79	140.71	141.73	145.13	−0.9	1.78	174.59	142.19	141.93	143.24	146.39	223.24	157.08	209.67
Singapore (38)	208.70	−1.0	169.55	169.46	170.68	158.40	−1.0	2.21	210.89	171.75	171.44	173.01	160.02	213.93	151.63	160.14
South Africa (61)	244.39	+3.9	198.53	198.43	199.85	173.72	−0.5	2.84	235.22	191.56	191.21	192.97	174.69	271.99	173.00	178.67
Spain (53)	144.94	−0.5	117.75	117.69	118.53	109.81	−0.8	5.04	145.74	118.69	118.48	119.57	110.69	171.12	131.51	146.93
Sweden (25)	169.41	−0.1	137.62	137.55	138.54	143.64	−0.2	3.10	169.60	138.12	137.87	139.15	143.99	204.12	146.60	163.63
Switzerland (59)	95.45	+0.0	77.54	77.50	78.07	82.49	+0.0	2.42	95.42	77.70	77.57	78.29	82.46	100.67	82.17	90.01
United Kingdom (236)	175.48	−0.5	142.56	142.47	143.49	142.56	−0.8	5.23	176.39	143.65	143.38	144.70	143.65	187.44	158.27	168.10
USA (525)	156.18	+0.2	126.87	126.81	127.73	156.18	+0.2	3.12	155.87	126.94	126.71	127.88	155.87	161.59	125.95	133.38
Europe (822)	140.10	+0.0	113.82	113.76	114.58	114.89	−0.3	4.20	140.17	114.15	113.95	115.00	115.21	151.52	125.50	138.46
Nordic (107)	175.90	+0.3	142.89	142.82	143.85	142.39	+0.3	2.27	175.28	142.75	142.49	143.80	141.99	200.81	155.55	172.74
Pacific Basin (718)	131.98	−0.7	107.22	107.16	107.93	108.32	−0.8	1.14	132.97	108.29	108.09	109.09	109.24	145.92	117.86	131.09
Euro – Pacific (1540)	135.54	−0.5	110.11	110.05	110.84	111.70	−0.6	2.40	136.17	110.89	110.68	111.70	112.39	147.86	121.29	134.45
North America (640)	154.53	+0.2	125.54	125.49	126.40	152.93	+0.2	3.13	154.25	125.62	125.40	126.57	152.64	160.44	125.91	133.05
Europe Ex. UK (586)	118.89	+0.3	96.58	96.55	97.25	98.95	+0.1	3.43	118.53	96.53	96.37	97.26	98.87	129.80	103.58	120.10
Pacific Ex. Japan (244)	145.52	−0.9	118.22	118.17	119.02	129.79	−0.8	4.18	146.82	119.58	119.36	120.46	130.89	153.19	111.40	116.75
World Ex. US (1733)	137.25	−0.4	111.50	111.45	112.25	113.30	−0.6	2.43	137.74	112.17	111.98	113.01	113.96	148.16	122.32	134.98
World Ex. UK (2022)	139.47	−0.1	113.30	113.25	114.07	125.03	−0.2	2.39	139.62	113.71	113.51	114.56	125.33	146.16	120.06	129.96
World Ex. So. Af. (2197)	141.94	−0.2	115.31	115.26	116.09	126.29	−0.3	2.68	142.23	115.83	115.63	116.69	126.66	148.66	122.92	133.08
World Ex. Japan (1784)	150.31	+0.1	122.11	122.06	122.95	138.16	+0.0	3.55	150.14	122.27	122.06	123.19	138.22	155.59	126.69	135.25
The World Index (2258)	142.61	−0.2	115.85	115.79	116.63	126.71	−0.3	2.68	142.82	116.31	116.11	117.18	127.09	149.37	123.28	133.35

Latest prices were unavailable for this edition.

FT LAW REPORTS

Tapes not admitted in evidence

ITALIA EXPRESS
Queen's Bench Division (Commercial court):
Mr Justice Hirst:
December 5 1991

A TAPED statement, other than an official record, is inadmissible as evidence in civil proceedings unless proved by the direct oral evidence of the person who made it or of a witness who heard him make it. And where such evidence is unavailable, it is not open to the litigant who seeks to produce the tape to prove that it is what he says it is through the evidence of persons who have been told how and when it was made, and who was speaking, by the person who made it.

Mr Justice Hirst so held when refusing an application by the defendant, Mr Trevor Rex Mountain, to admit tape recordings in evidence in an action by Mr Apostolos Constantine Ventouris.

HIS LORDSHIP said Mr Ventouris claimed $4m against Mr Mountain as a representative of Lloyd's underwriters, under a war risks insurance policy for the vessel, Italia Express.

The vessel had been given to Mr Ventouris in January 1988. On March 24 1988 it was sunk by explosives attached to the hull while undergoing repairs outside Piraeus harbour.

It was not disputed by the underwriters that the loss fell within one of the perils insured.

The sole issue was whether, as the underwriters contended, the loss was caused by Mr Ventouris's wilful misconduct.

The mainstay of the underwriters' case was the evidence of Mr Georgis Dimitrios Ventouris (GDV), Mr Ventouris's first cousin.

GDV had a criminal record in Greece and was on bail there under a condition which precluded him from leaving the country.

The underwriters alleged that Mr Ventouris retained GDV to arrange the sinking of the vessel by divers in return for substantial payment.

They alleged that the sinking was planned for February 13 1988, but was not executed because a vessel alongside was guarded by frogmen. Mr Ventouris called off the original plan and discharged GDV.

It was contended on the basis of inference from those alleged facts that Mr Ventouris then instructed the divers to carry out the plan without GDV, and that the vessel was blown up by them on March 24.

Counsel agreed that before Mr Clarke for the defence opened his case, the court should rule on the admissibility under the Civil Evidence Act 1968 of a large number of tape recordings made by GDV of conversations with third parties, the majority being the divers.

Mr Clarke's case rested very strongly on those tape recordings. He did not intend to call the persons who spoke on the tapes as witnesses. Since GDV and all his interlocutors lived in Greece, none of them was a compellable witness.

The recording was surreptitious, for example by means of a small recorder strapped to GDV's ankle or calf, or by bug transmission.

GDV had personally handed over nine cassette tapes to the underwriters' solicitors.

The persons between whom the conversations took place, and the times, were set out in the solicitors' memorandum of evidence.

The underwriters intended to prove that the tapes were original or copy recordings of those conversations by oral evidence from the solicitors and a translator of what GDV told them as to what the tapes were, how they were recorded and copied, who was speaking, and when the conversations took place.

For present purposes the court assumed the tapes were authentic.

Mr Clarke submitted that all the recorded conversations were admissible evidence of any facts stated therein, by virtue of sections 1, 2 and 4 of the Act.

Section 1 provided that hearsay evidence was admissible only by virtue of the Act and other statutory provisions, or by agreement.

Section 2(1) provided with regard to out of court statements that "in civil proceedings a statement other than one made by a person while giving oral evidence shall be admissible as evidence of facts stated therein of which direct oral evidence by him would be admissible".

By section 2(3), where a statement made otherwise than in a document was admissible by virtue of the section, "no evidence other than direct oral evidence by the person who made the statement or any person who heard or otherwise perceived it being made, shall be admissible for the purpose of proving it".

Section 4 provided for the admissibility of certain records as evidence of the facts stated. By section 10(1) "document" included "(c) any disc, tape, sound track ... and (d) any ... device in which visual images are embodied".

Mr Clarke submitted the statements by GDV and his interlocutors on the tapes were statements made in a document which were "admissible as evidence of the facts stated therein, of which direct oral evidence by them would be admissible".

The first question was whether the Act might be used as a means of proving that the tapes were what the underwriters said they were for section 2 purposes, or whether, as Mr Tomlinson submitted, that was not legally permissible.

The principal objects of Part I of the Act (sections 1 to 10) were to ensure that all first-hand hearsay statements were admissible provided certain conditions were fulfilled, and to allow second-hand hearsay to be received if contained in a record. "First-hand hearsay" meant a statement by A, proved by his direct oral evidence or the document in which he made it, or by direct oral evidence of a witness who heard him make it. "Second-hand hearsay" included all hearsay statements that were not first-hand. Section 2(3) was designed to ensure that only first-hand hearsay should be admissible under the section (*Cross on Evidence 7th ed 1990 541-2*).

It was fundamental to section 2 that the statement, whether oral or in a document, should be first-hand. It would be highly anomalous if that principle, so clearly enshrined in section 2(3) for oral statements, did not also apply to documentary statements.

It followed that the Act could not be used as a means of proving that the tapes were what the underwriters said they were. That was fatal to their case under section 2.

The next question was whether, as Mr Clarke contended, a statement recorded on tape was a statement made in a document for the purposes of section 2, or was, as Mr Tomlinson contended, a statement made orally and recorded in a document.

If Mr Tomlinson were right, section 10(1)(c) and (d) would become, if not completely nugatory, circumscribed to an extent far beyond what Parliament could have intended.

Mr Clarke submitted that section 4 allowed the admission of second hand or more remote hearsay as evidence of the truth of statements therein contained, provided it formed part of a record compiled by a person who was under a duty to record it.

He said the tapes were part of a record presented by GDV to the Piraeus criminal enquiry as exhibits to GDV's statement under oath and that there was a duty under Greek law for the investigating judge to record such evidence.

That was not accepted. The tapes were information supplied to the judge, not part of his record.

The underwriters' case under section 4 failed.

Mr Clarke submitted that the tapes were admissible at common law, as evidence that the words recorded were spoken. He recognised that that fact per se would be of no relevance, but submitted that relevant inferences might be drawn from it.

Section 1 of the Act was categorical that the only way such evidence could be introduced in civil proceedings was by virtue of the Act itself and not otherwise. The argument therefore failed.

Finally Mr Clarke relied on *The Statue of Liberty [1968] 1 WLR 739*, where it was held that evidence on film made by radar apparatus on shore, recording echoes of two ships in collision, was admissible. The judge concluded that the radar film was "real evidence", i.e. "evidence afforded by the production of physical objects for inspection or other examination by the court".

There was a marked difference between a radar film giving a picture of a collision, and conversations recorded on tapes, which could hardly be described as physical objects for inspection by the court.

That point also failed.

For all those reasons the tapes were not admissible.

For Mr Ventouris: Stephen Tomlinson QC and Stephen Hofmeyr (Hill Taylor Dickinson).

For the underwriters: Christopher Clarke QC and Andrew Popplewell (Ince & Co).

■*Deutsche Bank v Ibrahim, FT December 13:*

After further argument on December 18 a second judgment was delivered, with additional findings against the bank. The law made in the earlier judgment still stands.

Rachel Davies
Barrister